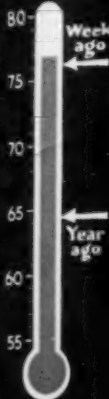


JULY 25

1936

BUSINESS WEEK

BUSINESS INDICATOR



McGRAW-HILL
PUBLISHING
COMPANY, INC.

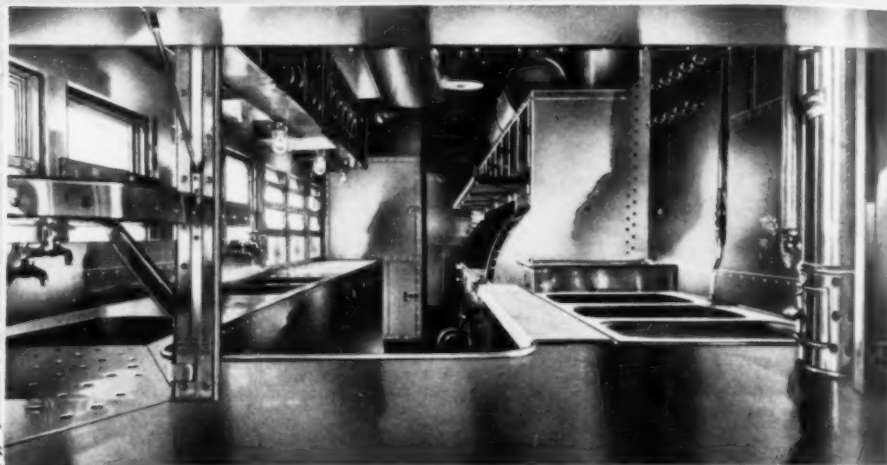
20 CENTS

TRIPLE TROUBLE—Business ponders long-range implications of America's new third party, united at Cleveland under the trinity of discontent: Townsend (pensions), Smith (share-the-wealth), and Coughlin (social justice).

UNIVERSITY OF MICHIGAN
GENERAL LIBRARY
ALAN ARBOR MICH

REPUBLIC STEELS

again contribute to Luxury Travel



The Kitchens

of New York Central's Cleveland-Detroit Luxury Train

"THE MERCURY" are Republic ENDURO Stainless Steel



Licensed under Chemical
Foundation Patents Nos.
1316817 and 1339378.

On July 15th another high-speed modern train took to the rails between Cleveland and Detroit—New York Central's Mercury—the newest of streamlined, steam-propelled trains.

The Mercury is only one of the many modern-type luxury trains in which Republic Steels have kept pace with a fast-moving civilization that demands better materials. To Republic—world's largest maker of fine alloy steels—has come the call for better steels—and from its metallurgical laboratories have come steels of higher tensile strength

and greater fatigue resistance—steels that reduce weight and increase pay load—steels that resist rust, corrosion and vibration and cut maintenance costs—steels that offer the last word in sanitation and cleanliness in the preparation and handling of food stuffs—steels that accomplish many things thought impossible only a few years ago.

Republic metallurgists are ever ready to meet the call of your industry—will be at your service, if you will but outline your particular problem. There is no obligation, except to help you.

Republic Steel

C O R P O R A T I O N



ALLOY STEEL DIVISION • MASSILLON, OHIO

GENERAL OFFICES • CLEVELAND, OHIO

When writing Republic Steel Corporation for further information, please address Department BW.

BUSINESS WEEK

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JULY 2

New Business

CHALK this up as a credit to Uncle Sam's profit and loss account. A 20% reduction in bank robbery insurance rates is now effective in 35 states. Reason: Increased activity on the part of the Department of Justice in curbing holdups. Another influence is the operation of a rule requiring financial institutions to keep 85% of insured funds under delayed lock protection. Not all states derived the benefit of lower rates; in fact, tariffs went up in Florida, Kentucky, and South Carolina.

PACIFIC COAST airplane factories have more than \$20,000,000 of contracts on hand, but they are having trouble filling them because of the scarcity of skilled sheet metal men. Hence this week the Boeing School of Aeronautics announced a new three-month course of training in the craft.

WALTER H. BLUCHER, executive director of the American Society of Planning Officials, defines the planning job by a convenient analogy. It's simply good housekeeping, he says—houses in one place; factories not too hard upon the heels of lawns, gardens and mansions; no great surplus of land in commercial areas; schools located in centers of child population." In other words, no pigs in the parlor; no dump heaps in the parks.

MARSHALL FIELD & Co. has evolved a novel solution to that perennial problem of where to park your car when you go shopping. Next door to its Evanston (Ill.) store Field's is erecting a one story structure. Fifty cars can be parked on the roof, and the motorist-shopper enters direct into the second floor of the store. Ground premises will be let to the Firestone Tire & Rubber Co., and customers can have their cars serviced while they shop.

LACKING adequate supplies of linseed oil for varnishes, the Germans have experimented with several substitutes, among them whale oil. Latest Berlin reports indicate that varnish from the whale oil base has proved superior to the linseed product for marine use.

HOUSES specializing in municipal bonds will probably get a crack at a big piece of business early next year. By that time some idea of the toll-income of New York's new Triborough bridge will be formed. Thereupon the RFC is expected to ask for bids on its approximately \$40,000,000 of Triborough Bridge Authority bonds which dealers would buy for resale to the public (assuming revenues come up to expectations).

THE price of platinum has jumped to \$40 an ounce, after slumping below the price of gold for more than a year. Why? Watch the marriage license bureaus. Biggest consumer of the white metal is the jewelry trade. There's a boom in wedding rings this year, hence the revived demand for the metal.

New light is thrown on the railroad passenger ticket situation by H. G. Taylor, chairman of the Western Association of Railway Executives. To him, the man behind the grille in the railroad station is not a ticket

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OBLIGATION

BECAUSE we make the Otis Elevator. Because we are naturally interested in the performance of an Otis Elevator. Because we have the organization and experience necessary to keep an Otis Elevator indefinitely at the peak of operating efficiency. And because Otis Maintenance, everything considered, costs less, we feel it an obligation, as well as a pleasure, to offer this service to as many Otis Elevator owners as possible. We sincerely urge your consideration of

OTIS MAINTENANCE

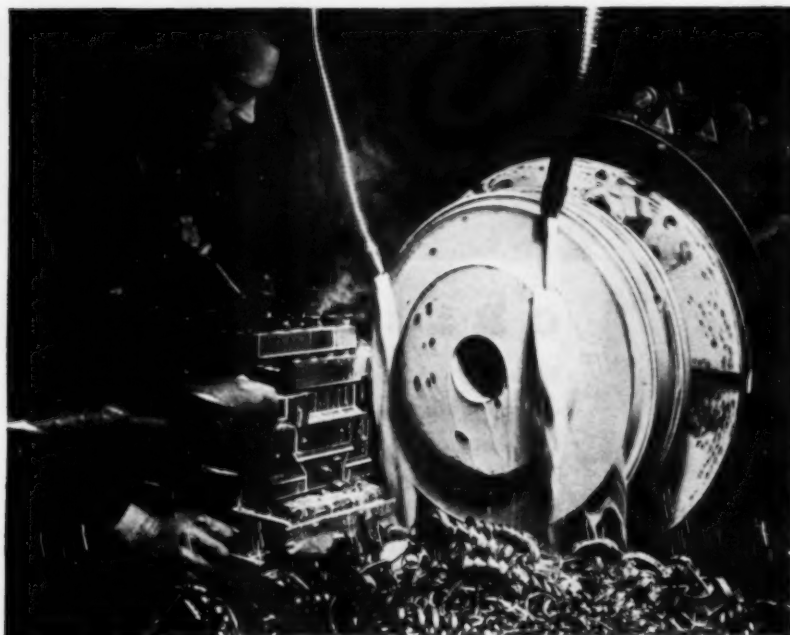
NEEDED—an Old-Age Pension Law for Machines

THERE may be machines in your plant working for your competitors. Any machine not producing as much as its modern counterpart is wasting your money, adding to your costs, reducing your profit. Junk it.

Turret Lathes, for example. The new Warner & Swasey Turret Lathes show an average increase in production of 30% over 1929 machines.

That 30% can be almost pure net profit to you. One shop, typical of scores, cut production time 87%—from 6 minutes per piece to 45 seconds—without increasing overhead!

Everyone is benefited by a new Warner & Swasey Turret Lathe—operator because he can make more money on shorter hours; your customer because you can deliver better precision and value; you because you make more money. May we show you concretely what these improved Turret Lathes could do in your shop?



WARNER & SWASEY

Turret Lathes

Cleveland

Make This the Turning Point to Increased Earnings

vendor, but a dispenser of desires-to-be-filled. The ticket agent, says Mr. Taylor, sells a vacation, or a romance, or a honeymoon, or a cool lake breeze. Mr. Taylor wants ticket agents to be enthusiasts about what the railroads offer: not just a destination, but the fulfillment of a dream.

HATS off to Ben Williams, colored, of Kewanee, Ill. Ben believes in working, even on a WPA job. Recently he broke all records by laying 36,519 bricks on a street paving project in 7½ hours. His exploit covered about a quarter-mile of 20-ft highway. A good day's work is 15,000 bricks. The news of a WPA man laboring at such a rate drew marveling citizens from miles around.

CANTALOUPE growers in California's Imperial Valley punctuate the drought news with reports of a record season. Cantaloupe No. 45, a type of melon unusually resistant to mildew, blight, and pests, is credited with having contributed heavily to this year's success. It was developed by Ivan C. Jagger of the United States bureau of plant industry and G. W. Scott of the bureau's California experiment station.

THE petroleum industry will have spent about \$1,000,000,000 in equipment and supplies (exclusive of crude oil) by the end of this year, according to a survey of the *Oil and Gas Journal*. The production division will account for half the expenditure. Another big item is the \$150,000,000 outlay expected from the marketing division.

"THERE was a time when the Federal Reserve Bank was a tower of strength in our financial structure but today, so far as I can see, it is little more than a wastebasket into which are being thrown the laundry checks of one of the most powerful political machines ever devised—a mere clearing house through which to finance the party's squandering and perpetuate its daydreams." Thus explodes J. M. (100%) Nichols of Chicago's First National Bank of Englewood. Outspoken Mr. Nichols' latest blast was occasioned by the Federal Reserve's boost in reserve requirements (*BW*—Jul 18 '36 p. 16).

REVERSING the usual process of importing prize Clydesdale horses from Scotland into Alberta (Canada), Alberta horse breeders the other day shipped 52 head of Clydesdales from Calgary to Scotland.

CONSTRUCTION and rents go hand in hand. According to the United States Building & Loan League, one- and two-family homes constructed during the first four months of 1936 were 2.2 times the corresponding period of last year. Cause: dwelling rents were up about 10%; apartment rents about 8%.

N. W. AYER & SON'S advertisements on the front covers of *Printers' Ink* are virtually a fixture. Week in and week out, they extol the merits of the goods of some manufacturer whom the advertising agency numbers among its clients and tell what Ayer has done to promote sales. This month advertising men have noted a signal departure from the formula. Ayer is using *Printers' Ink*'s front cover (with runover onto an inside page) to tell the story of what mass production and mass distribution have done for the consumer. Some sample themes: "Less work for mother, and better food for all," "How American business has helped to build American health."

THE alcohol-gasoline blend of motor fuel is no longer a technical problem but is a matter of politics and clashing interests, according to S. D. Kirkpatrick, editor of *Chemical and Metallurgical Engineering*. He says

LONG LIFE UNDER PRESSURE!



When Nickel enters into partnership with brass or bronze it tightens up the grain structure and gives it greater density. As a result these alloys not only become stronger, tougher and more enduring, but pressure-tight at room and moderate steam temperatures.

Accordingly, Industry uses the Nickel Brasses and Bronzes liberally wherever equipment must handle vapors and liquids under pressure. In the handling of steam, oil and water, for example, Nickel Brasses and

Bronzes increase the life of essential parts and appreciably reduce replacement costs.

Also, because of their improved resistance to wear and shock, these Nickel Alloys are widely used for bushings and gears, being capable of bearing heavy loads and delivering long service under abrasive conditions.

Our experience in the application of Nickel to industrial problems is at your disposal. Send for List "A" of available publications on Nickel and its alloys.

Nickel Brasses and Bronzes

THE INTERNATIONAL NICKEL COMPANY, INC.

NEW YORK, N. Y.

"We have no moral right to decide on the basis of opinion that which can be determined on fact."
-ANONYMOUS

WE do not know the man responsible for this cogent statement. But he might conceivably be any reader of Business Week.

For the executive, Business Week follows the swift pace of business news, with fact and interpretation, index and trend, on which to base decisions.

Useful as a guide to policy, Business Week is equally useful as a buying guide. Its advertising pages have become the executive's "shopping list."

You, as a reader, have discovered this two-edged use of Business Week. But have you discovered how effectively you can turn Business Week to profit in its third significant function—as a vehicle for your company's sales message to other executives?

Invite your advertising manager to investigate Business Week—the three-way publication you read. You appreciate its usefulness to business executives. He will appreciate more executives than your advertising dollar can buy in any other publication.



BUSINESS WEEK

The Executive's Business Paper

330 WEST FORTY-SECOND STREET, NEW YORK

that the low percentage blends under consideration here probably could be used interchangeably with gasoline without affecting engine performance, and that adoption of the 33 1/2% alky blend used in England would put to work 90,000,000 acres and 6,000,000 unemployed in this country. He thinks that the oil industry "should not turn its back on what appears to be the evident desire of a fair proportion of the agricultural population." (The petroleum industry argues that there is no justification for alky-gas as long as the motorist is getting cheaper straight gasoline.)

YORK ICE MACHINERY CORP. reports one of the largest air conditioning orders of the year. Air-cooling of the duPont office building in Wilmington, Del., will involve 600 tons of refrigeration and equipment to condition 167,000 cubic feet of air a minute.

A NEW method of applying veneer to irregular surfaces, said to be revolutionary, is now available for the furniture industry. The pieces are put into a rubber bag from which air is excluded. It is claimed that the sheets bend to desired shapes and adhere perfectly under atmospheric pressure. There is a great saving in time and in the preparation of expensive forms. The process is of Austrian origin, is being promoted in this country by the Merritt Engineering & Sales Corp., Lockport, N. Y., and I. F. Laucks, Inc., Seattle, Wash.

DECATUR, ALA., claims the unenviable distinction of having the highest gasoline tax rate in the United States. The honor remains, though the tax total was cut some years back from 12 1/2¢ to 11¢ per gal. With groans, the Decatur motorist now pays, (a) a 1¢ federal tax, (b) a 6¢ state tax, (c) a 3¢ county tax, (d) a 1¢ city tax.

MANUFACTURERS of road-building equipment have started salesmen to Santiago following the announcement by the Chilean government that it is contemplating a 5-year road construction program to cost \$6,000,000.

THE Universal Atlas Cement Co. takes a tip from the railroads in making its contribution to highway safety. Every Universal salesman has been given a box containing 4 red flares which burn 30 minutes each. The salesman is instructed that if he has occasion to stop along the road at night for any reason whatsoever, he is to place a flare in back of his car as quickly as possible after stopping. Salesmen who have had occasion to employ this safety measure say it's a fine idea.

CHICAGOANS feel that with Inland Steel Co.'s acquisition of the Milcor Steel Co. of Milwaukee, their city has received another boost toward becoming one of the world's important steel centers. One year ago, Inland bought Joseph T. Ryerson and Son, Inc., at that time the largest independent steel warehousing and distributing organization in this country. The addition of Milcor gives Inland a unit that manufactures widely known lines of steel building materials, lath, roofing, ceiling, etc. Milcor has plants at Milwaukee and Canton, O. and warehouses at Chicago, Kansas City and LaCrosse.

BREASTING the current tide of salary increases for corporation heads and white collar workers, the Endicott-Johnson Shoe Corp. of Endicott, N. Y. has announced a pay cut of 10% for all its executive and salaried workers. George F. Johnson, chairman of E-J, in explaining that the company's 18,500 wage earners are not affected, said: "We are for the under dog and we believed in retrenching first where it wouldn't hurt so much."

Washington Bulletin

WASHINGTON (Business Week Bureau)—With Lewis-Green labor fight developing per expectation, with drought news serving only to confirm worst predictions, and with campaign politics held in status quo during Roosevelt's fishing trip and before Landon acceptance speech, business found time this week to speculate on troubles abroad. Latest chapter in long Left-Right-Left struggle in Spain may have important political repercussions in France, stimulating Right movement, and profound business effects in both France and Britain. Spain, not a manufacturing country, was big British customer, and slump in her purchases resulting from internal strife, hits Britain hard, particularly after loss of textile exports to Japan and other reverses.

American Trade Hit

Effects of Spanish trouble on France and Britain (our best customer, next to Canada) are more important to us than what happens to our own Spanish trade. However, American sales of cotton, autos, other consumption goods may suffer some. Also imports from Spain of olive oil, wine, cork, soap, ergot and other drugs may fall off. American investments—International Telephone, cork companies, etc.—may be somewhat endangered.

In the Pay Envelopes

Page John L. Lewis—and Francis J. Gorman of textile union. Steel Institute quotes Department of Labor figures showing average weekly pay of steel workers as \$26.38 and hourly pay as 66.2c. Textile workers, \$16.68 and 46.3c, respectively. Anthracite miners, \$23.58 per week in March, and bituminous miners, \$22.19! Institute carefully doesn't mention that check-off discount for union dues applies to pay of miners and textile workers, does not apply to steel workers!

Possible Power

Belief grows National Labor Relations Board may still have wide jurisdiction, despite apparent unconstitutionality of law, with regard to most business functions. New theory, growing out of Circuit Court decision in Associated Press case, is that board can control labor relations in certain parts of most enterprises—shipping departments, traveling salesmen, etc.—where interstate angle may be more definite.

Same Mistake Repeated?

Legal sharks are wondering if delegation of power to officials to grant exemptions from provisions of Walsh-Healey law does not run counter to doctrine so forcefully laid down by Supreme Court in hot oil and other cases.

INVESTORS' PSYCHOLOGY

Surprise of Reserve Board Governors at rise in stock market after 50% increase in reserve requirements—intended to slow down boom-type speculation, if and when—turns to pleasure as they conclude investors construe move as another barrier against uncontrolled inflation.

Money for the Belt

Much-maligned "shelter belt"—that strip of trees that was to stop hot winds, prevent erosions, modify dust storms, etc.—is marching ahead, despite Congress' failure to appropriate. Forest Service continues to distribute trees selected for belt in strategic points, hoping for real appropriations later.

Not Backing Her Up

Miss Perkins is running into trouble with Walsh-Healey law because other department and bureau heads for some reason seem to think it's funny. They smile when asked whether law will cover their purchases.

Washing at a Distance

CCC laundry contracts seem to prove something. New Hampshire work is all done in Maine. Reason: Maine, with no minimum-wage law for women, can bid lower and work goes to lowest bidder. Another argument for federal minimum wage? Or additional proof social legislation often defeats own ends?

Heading for Trouble

Most timely question: when will Robinson-Patman act run full tilt into courts? Washington representatives of trade organizations are deluged with questions, appeals, pleas, and what not from harassed business men. Federal Trade Commission has issued a report showing it has big ambitions in broad enforcement of law.

Continued in Our Next

With Sen. Copeland and Representative Chapman hewing wood and drawing water in political vineyard,

work on next food and drug bill, to be submitted to lawmakers in January, is suspended. This battle is beginning to get in class with the poor the Bible speaks of, or the unemployed Roosevelt talks about. They're always with us. Only new angle in struggle ahead is possibility Copeland may grow little bit independent and break with Food & Drug Administration.

Retail Report Coming

Retail reports in distribution census will be out in couple of weeks showing, in true perspective, effects of depression on character and distribution of trade. Because of big demand for this information, states in important marketing areas will get priority, with Michigan report likely to be first as tabulation is well under way. Wholesale reports will follow later.

Consumers' Co-ops

There is no reassurance so far for merchants frightened by drift of Administration towards cooperatives. Sec. Wallace says co-ops must be for consumers as well as producers—i.e., must do retailing.

First Figures on Radio

First section of census to reach national summary stage deals with radio broadcasting. Report issued this week affords first picture of sources of revenue, wages, employment, etc., in this new industry. Total station revenue reported for 1935 is \$86,492,653.

Reward for Vision

Barns as well-lighted as city shops, and uses for electricity as revolution-ary on farm as in industry, were doctrines of John M. Carmody, said to have won him place as assistant to Rural Electrification Administrator Morris Cooke.

Come and Get It

Prosperity looms for airplane manufacturers. Government business is excellent, with \$30,000,000 of orders for combat planes alone.

With ICC's Approval

RFC's plan to make loans to motor carriers, to be announced within week, will forbid any loans made without approval of ICC. Loans will be made principally, if not solely, for equipment purchases.

Harsh Words, Soft Stick

Widespread complaints of violation of motor carrier act have gotten under ICC's skin. Its warning to bus companies that free passes are out and to truckmen that they won't get away with filing dummy rates is just first move by commission to obtain compliance. This is mostly bluff, as commission can't yet back up threats.



Bethlehem builds Railway Terminals



Bethlehem built the steelwork for the new station and other improvements of the Pennsylvania Railroad at Newark, N. J.

PIONEER in rolling the first steel rails in the United States, in the development of the twin-span turntable and other railway equipment, maker of steel for every department of rail transportation, Bethlehem Steel Company is also thoroughly experienced in the fabrication and erection of railway bridges and terminals.

When the Pennsylvania Railroad decided to

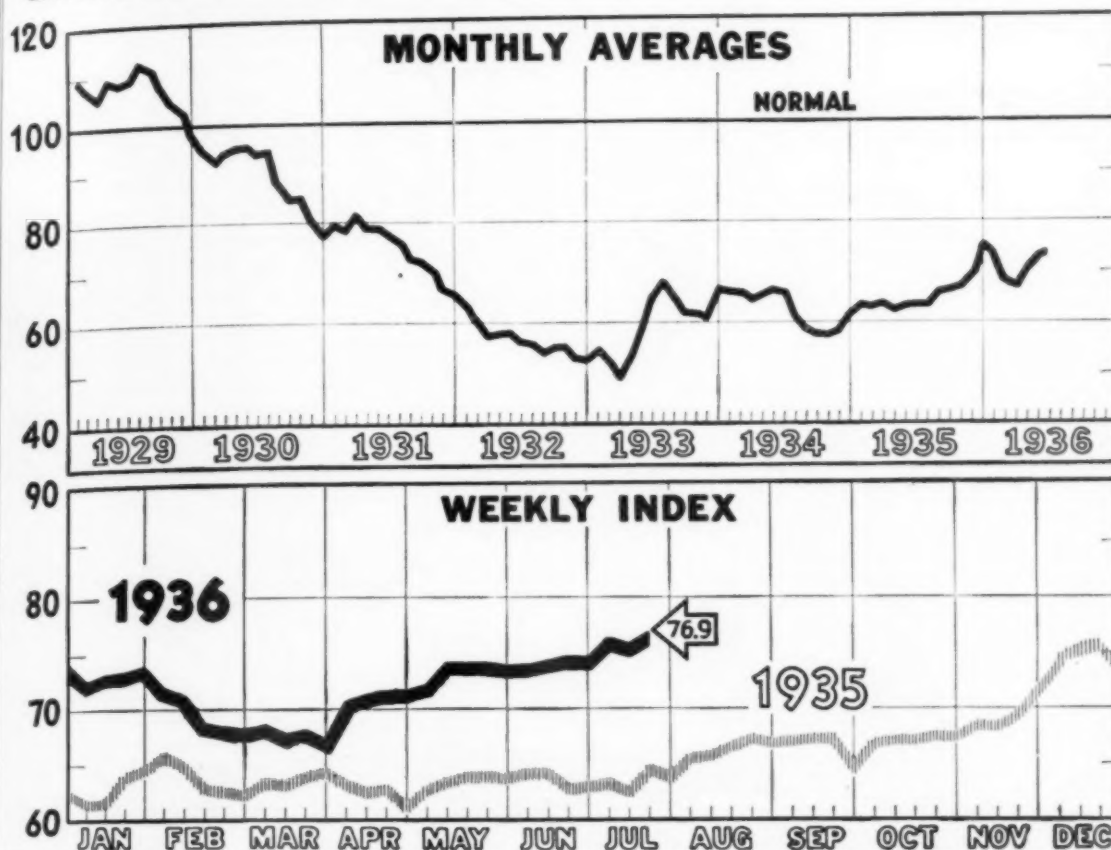
build its new station at Newark, N. J., one of the largest developments of its kind in recent years, Bethlehem Steel Company was called upon to furnish the steelwork.

As the largest steel construction company in the world, Bethlehem is equipped to be of service in any railroad building program, efficiently, promptly and responsibly.

BETHLEHEM STEEL COMPANY



BUSINESS WEEK'S INDEX OF BUSINESS ACTIVITY



	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1931-35
BUSINESS WEEK INDEX	*76.9	†75.9	74.8	64.4	65.4
PRODUCTION					
*Steel Ingot Operation (% of capacity)	70.9	69.0	70.2	42.2	35.0
*Building Contracts (F. W. Dodge, daily average in thousands, 4-wk. basis)	†\$8,776	†\$8,757	\$8,757	\$6,012	\$6,390
*Bituminous Coal (daily average, 1,000 tons)	*1,141	†1,301	1,122	764	934
*Electric Power (million kw.-hr.)	2,100	2,030	2,005	1,807	1,636
TRADE					
Total Carloadings (daily average, 1,000 cars)	121	130	114	94	103
*Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	75	81	74	64	68
*Check payments (outside N. Y. City, millions)	\$4,226	\$4,036	\$4,445	\$3,759	\$3,531
*Money in Circulation (Wednesday series, millions)	\$6,190	\$6,242	\$6,048	\$5,530	\$5,369
PRICES (Average for the Week)					
Wheat (No. 2, hard winter, Kansas City, bu.)	\$1.11	\$1.11	\$.96	\$.95	\$.77
Cotton (middling, New York, lb.)	13.23c	13.51c	12.23c	12.24c	10.39c
Iron and Steel (Steel composite, ton)	\$33.49	\$33.48	\$32.77	\$32.42	\$30.83
Copper (electrolytic, Connecticut Valley basis, lb.)	9.500c	9.500c	9.500c	8.000c	7.817c
All Commodities (Fisher's Index, 1926 = 100)	83.3	83.8	82.5	81.7	71.7
FINANCE					
Total Federal Reserve Credit Outstanding (Wednesday series, millions)	\$2,478	\$2,472	\$2,480	\$2,472	\$2,107
Total Loans and Investments, Fed. Res. rep't'g member banks (millions)	\$22,514	\$22,462	\$22,659	\$20,089	\$19,499
*Commercial Loans, Federal Reserve reporting member banks (millions)	\$5,110	\$5,115	\$5,143	\$4,854	\$5,843
Security Loans, Federal Reserve reporting member banks (millions)	\$3,302	\$3,242	\$3,395	\$3,139	\$4,431
Brokers' Loans, Federal Reserve reporting member banks (millions)	\$1,175	\$1,160	\$1,295	\$1,053	\$1,078
Stock Prices (average 100 stocks, <i>Herald-Tribune</i>)	\$120.92	\$119.40	\$118.05	\$103.68	\$100.74
Bond Prices (Dow, Jones, average 40 bonds)	\$103.37	\$103.23	\$102.79	\$96.98	\$89.61
Interest Rates—Call Loans (daily av'ge, renewal) N. Y. Stock Exchange	1%	1%	1%	1%	1.2%
Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City	1%	1%	1%	1%	1.6%
Business Failures (Dun and Bradstreet, number)	136	140	192	215	374

* Factor in Business Week Index *Preliminary †Revised.

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Business Week



Close hauled, sails high and full, in the almost imperceptible swell the white winged sloop carries a bone in her teeth.

Prestige is footing fast. Skipper Harold S. Vanderbilt, at the helm, eyes the set of her sails. Thus, accurately, might a reporter have written, as *Prestige* neared the finish line for her twenty-fourth victory in twenty-four starts during the racing season of 1935.

Prestige is a Class M Sloop. She was created in 1927 by W. Starling Burgess, famed as the designer of *Enterprise* and *Rainbow*, the two most recent America's Cup Defenders.

Both of these successful Defenders were skippered by Mr. Vanderbilt, owner of *Prestige*. His genius in yacht racing and his thoroughgoing sportsmanship are held in universal regard.

Mr. Vanderbilt first raced *Prestige* in 1931, using a mast of Alcoa Aluminum, designed by W. Starling Burgess and his brother C. P. Burgess, noted engineer.

Again in 1935, after an interim of three years devoted to racing still larger boats, Mr. Vanderbilt returned to Class M competition with *Prestige*. The mast was brought out of unheated storage; it was again stepped in *Prestige* and her unmarred

record of victories against keen competition was begun.

The technically minded reader will quickly recognize that the satisfactory performance of the mast of Alcoa Aluminum, after three years of uncoddled idleness, well proves its original strength not to have diminished.

An estimate of the severity of the service may be gained from the fact that the load of over 50 tons at the base of the mast, when sailing to windward in a fresh blow, is considerably greater than the entire weight of the vessel herself.

Alcoa Aluminum was chosen for this mast because it would stand such strains, and still confer lightness; because its resistance to corrosion promised strength and long life. These are exactly the reasons why all industry is choosing Alcoa Aluminum Alloys.

Nature made Aluminum light; research has made it strong. And as we have progressed with research, we have accumulated a wealth of practical "know-how", which we make freely available. We cordially invite you to take advantage of that "know-how". ALUMINUM COMPANY OF AMERICA, 2104 Gulf Building, Pittsburgh, Pennsylvania.

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The Business Outlook

DROUGHT and threat of strikes have not perceptibly dimmed the favorable outlook for the next few months. The former retarded sales and industrial activity in some sections; heat caused this week's small recession in automobile output, by temporarily closing some plants. Labor difficulties resulted in but slightly increased orders from cautious customers.

No serious labor difficulties are anticipated before November, though they loom in the background of many major industries—textile, rubber, lumber, cement, oil, steel, and automobile. Internal union dissensions may further delay the strikes which are a constant menace to business recovery. Prices are firm. Steel operations rose. The slowly diminishing demand from the automotive industry was more than offset by orders from railroads, construction, and shipbuilding industries. July activity surprisingly is only gradually tapering off from June levels, and August recession promises to be moderate.

Steel at 71%

Satisfactory demand produced well-sustained activity in the steel industry, which rose to 71% of capacity for the week. There are sufficient backlogs of orders to keep many plants in operation through most of the summer months, but new orders, apparently for current use, have been rolling in.

Shipbuilding Revival

Of unusual interest is the awakening demand from the shipbuilding industry. An order for eight oil tankers from Standard Oil of N. J. gave new zest to a long-dormant field. These tankers will cost approximately \$13,000,000, and their gross tonnage of 103,000 surpasses by 13,000 tons the total for ships under construction in the United States for the second quarter of 1936.

Another Power Peak

Electric power output attained a new all-time high for the week ended July 18 with its 2,100,000,000 kw.-hr. Excessive heat, with attendant sharp increases in use of refrigerating and air-conditioning systems, has helped maintain high levels of electricity production for the past few months. Electrical equipment manufacturers are disturbed by a persistent lack of orders for new generating equipment. They feel it unlikely that the public utilities can meet peak load periods in 1937 with their present capacities and that some companies may find themselves in a precarious position by the end of the year.

Gain in Air-Conditioning

The future of the air-conditioning field is increasingly bright. A survey

BUSINESS AT NEW HIGH

Business Week's index of business activity for the week ended July 18 reached the highest level since July, 1931, topping the high of last December. At 76.9% of normal, the index represents a gain of 61% from the 1933 depression low. The expected summer slump has not materialized. Counter-seasonal increases in demand as well as in production contributed to the relative stability of industry.

made by a publication, *Automatic Heat and Air Conditioning*, covering 31 utilities shows 1,187 air-conditioning installations during the first six months of 1936, a gain of 29% above the corresponding period a year ago. Horsepower has lagged behind the number of installations, because of the great strides made by small commercial and residential units. Chicago leads, followed by New York, Philadelphia, and Dallas.

More Modernization

Expenditure outlays for modernization of equipment and plant extensions are increasing. Heavy construction awards for the week ending July 23 totaled \$50,992,000, according to *Engineering News-Record*. Of these, building awards constituted the largest part. Commercial buildings awards, the highest for any single week in more than three weeks, were \$9,417,000; industrial buildings—\$6,596,000; public—\$19,863,000. Included are an automobile factory for Studebaker Motors Corp., valued at \$1,000,000, and a \$2,750,000 contract for mill additions to Union Bag & Paper Co., plus miscellaneous housing projects.

Increased Cotton Buying

The last two months have seen an unusually strong pickup in cotton buying, and indications are that 1936

will be one of the best years for cotton as well as other textile industries since the depression, both as to sales and profits. Dry goods wholesalers found themselves again in the market for additional orders to meet their requirements.

Boom in Swimming Suits

The continued hot weather gave surprising impetus to the swimming-suit manufacturers. The expected petering out of demand from now until the end of the season was averted by a sudden onrush of additional orders, and this year should see one of the most active seasons in many years.

26.6% Auto Gain

June factory sales of passenger cars and trucks for the United States and Canada, as shown by final figures, amounted to 470,887 units, an increase of 26.6% above the 372,085 total for June, 1935, and declining only 2% under May, 1936. Sales for the six months of this year were 2,596,356, a gain of 11% above the like period last year. This is the best half-year since 1929.

Production Still High

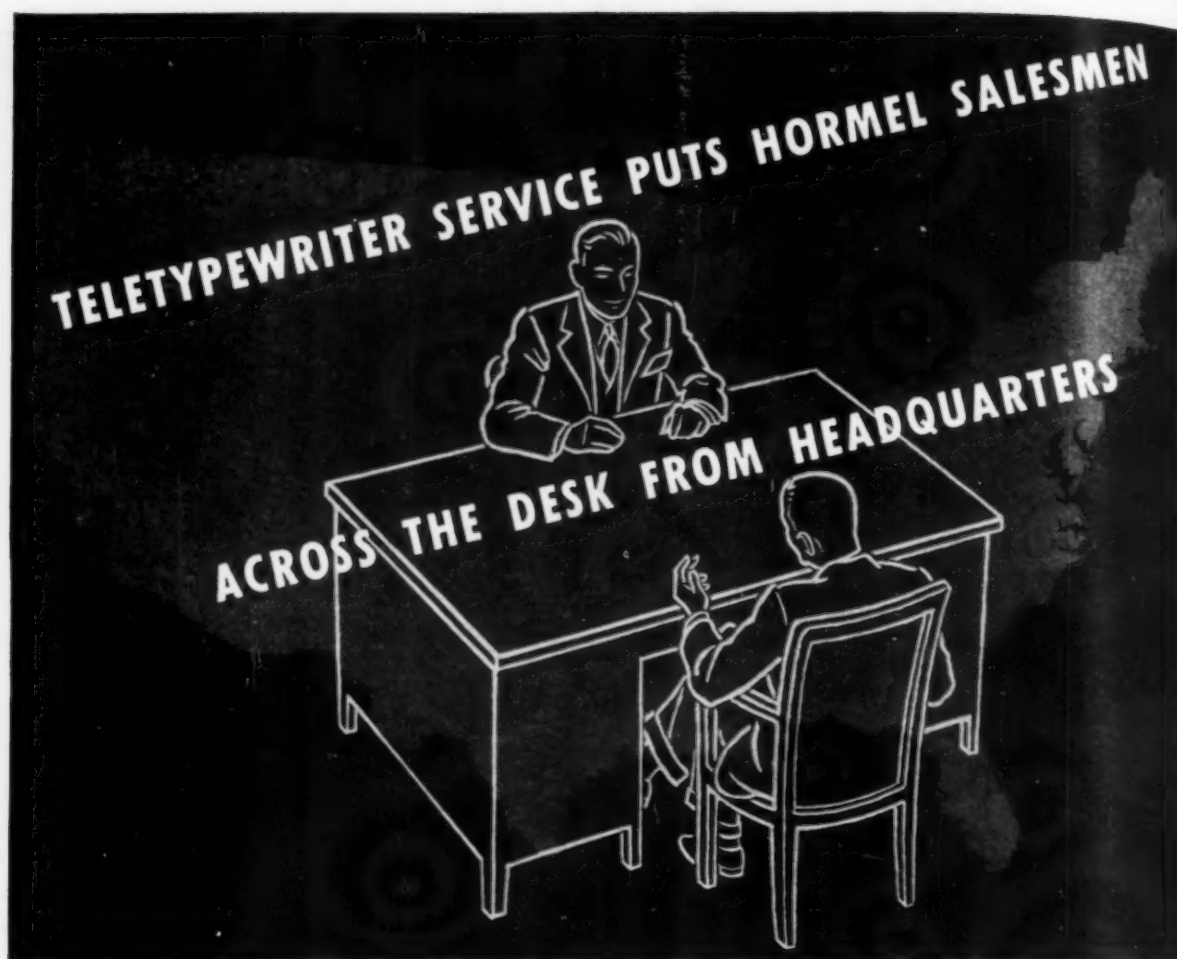
No weakening is apparent in automobile sales, which continue in good volume, and automobile production schedules for 1936 models will decline only slowly until middle or late August. The shutdown period to allow for the switch to 1937 models is now expected to be of comparatively short duration.

Sudden Rise in Copper

Continued strength in European markets of copper prices, which brought their figure uncomfortably close to domestic quotations, forced producers to announce a $\frac{1}{8}$ ¢ rise in the price of copper; the new price of $9\frac{1}{8}$ ¢, Connecticut Valley basis, to be effective July 23. This announcement came as a surprise to many in the industry who had expected no rise until late August. Anticipation of this price increase resulted in the largest single day's business in the copper market—a tonnage of 106,101, sold at $9\frac{1}{8}$ ¢. Fabricated copper products prices were increased to conform with the new quotations in copper. Lead and zinc also shared in some of this buying movement, and metal markets stayed firm in spite of price increases.

Merchants Do Well

Retail and wholesale markets benefited from the sustained demand, which was unexpectedly strong in the past few weeks and which promises to continue well into August, despite a strong price situation. Clothing, furnishings, appliances, and rugs participated in the activity.



IN GROWING from a local packer to a nationally known food manufacturer, George A. Hormel and Company greatly multiplied their sales and distribution problems. It has been difficult for distant districts to retain the same advantages as the local headquarters area, where last-minute orders can be filled with no trouble, where rush orders are handled smoothly, where problems are voiced and decisions made immediately.

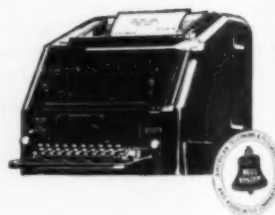


Hormel thought something ought to be done. They did it. They called in Bell System representatives to make a careful study of their communication methods in handling orders with outside districts. The result was the installation of Private Line Teletypewriter Service (typing-by-wire) between headquarters at Austin, Minnesota, and sales offices at Minneapolis, Chicago, Pittsburgh, Philadelphia, and New York, plus Teletypewriter Exchange Service at Boston.



Now questions are asked and decisions made within a half-hour from the most distant points. Delivery is more prompt and service is better in all districts. Customers are happier. Hormel is happier. The average order-handling time has been cut in half and four unnecessary operations eliminated. A single typing at any field office simultaneously produces all necessary carbons and master copies at Austin. No time lost. No checking. No recopying. No errors. And all these advantages were accomplished at a substantial saving over former costs.

A similar survey might develop the same or other economies in your business. Why not discuss it with the local Bell Company? No charge. No obligation.



JULY 25, 1936

Who's on Walsh-Healey Spot?

Labor provisions don't apply to contractors who furnish government with goods "usually bought in open market." But what are such goods?

WASHINGTON (Business Week Bureau) —How broad is the scope of the Walsh-Healey act, intended to enforce high labor standards on suppliers to the government?

On this question there is an important difference of opinion between Sec. of Labor Perkins and industry. Many firms, including some machine-tool builders, will refrain from bidding on government contracts after Sept. 28, when the act goes into effect, until the uncertainty is cleared up.

The dispute concerns the provision in the act exempting goods "such as may usually be bought in the open market."

N.A.M. Cites Precedents

Sec. Perkins indicated last week that she interpreted this provision as exempting only those small emergency purchases which government agencies may make, under certain conditions, without advertising. The National Association of Manufacturers, on the other hand, issued a 12-page legal opinion citing many official precedents for the conclusion that the exemption applies to all articles "of the class that may usually be bought in the open market."

It makes no difference, according to the N.A.M., whether the goods are already made or have to be made on special order; nor even whether they are made to conform to particular specifications.

Moreover, the N.A.M. suggests that although the secretary of labor has gen-

eral jurisdiction in applying the act, she has no jurisdiction in the interpretation of the open market exception, which every purchasing agency of the government must determine for itself.

And if the purchasing agencies should waive this authority and accept Sec. Perkins' interpretation in each case, or if for any other reason there is a dispute between the supplier and any governmental agency concerning the application of the Walsh-Healey act, the N.A.M. suggests that the supplier appeal to the comptroller general.

The effectiveness of such appeals will largely depend on whether President Roosevelt appoints a convinced New Dealer to succeed Comptroller General J. R. McCarl, whose 15-year-term recently expired.

In any event, the fight to keep the application of the act as narrow as possible has just begun. If Sec. Perkins, the comptroller general, and all other executive officials involved in any particular controversy should rule against the supplier, an appeal will be made to the courts.

Besides, the act does not go into effect until Sept. 28, and only five weeks later, on Nov. 3, a President will be elected. If Gov. Landon should win, it is taken for granted that the next secretary of labor will not be as pro-union as Sec. Perkins is.

Nor will all the provisions of the act really become effective Sept. 28. The Department of Labor indicates

that the prevailing-wage provisions, as affecting a number of industries, will remain suspended for some time, because of the physical impossibility of quickly establishing wage standards in all of the many industries from which the government buys goods.

After Sept. 28, in accepting any contract for government supplies amounting to \$10,000 or more, the contractor must certify that: (1) he is a manufacturer of, or regular dealer in, the supplies involved; (2) employees engaged in fulfilling the contract will not work more than eight hours per day or 40 hours per week; (3) neither convict nor child labor will be used; (4) working conditions will not be insanitary nor unduly hazardous.

Not Sight Unseen

Thereafter, as the department makes its determinations of prevailing wages in various industries, an agreement to conform to its rulings will be incorporated in subsequent contracts. However, no contractor will be required to subscribe to such standards in advance of their determination.

Prevailing-wage determinations will be made only after public hearings at which interested persons may present evidence. Sec. Perkins intends to appoint a board of three members to handle quasi-judicial functions under the act, such as the promulgation of rules and regulations and the making of exemptions in special cases. The department will also have a panel of consultants consisting principally of industrialists and labor representatives from the various industries. Whenever a question arises for decision in a specific industry the appropriate consultants will be called on for advice.

In regard to geographical wage differ-



HARD LABOR FOR MANAGEMENT—Studying the probable effect of the Walsh-Healey act and trying to find out just what businesses are included in its provisions is a tough job for management. Among executives who met with Sec. of Labor Perkins

(center) last week to discuss the act were (from left): S. Clay Williams, of R. J. Reynolds Tobacco Co.; F. W. Nichol, of International Business Machines Corp.; James A. Moffett, of California-Texas Oil Co.; J. W. Hook, of Geometric Tool Co.

Exempt from Labor Law?

In 1912 Congress passed a bill requiring an eight-hour day on government contracts. But contractors for "such materials or articles as may usually be bought in open market" were excepted. A similar exception is in the Walsh-Healey act, and the National Association of Manufacturers points out that the following articles, because usually purchasable in the open market, were exempted in 1912:

Airplanes	Linseed oil
Aluminum leaf	Locomotives
Antimony	Marble
Artillery harness	Marbler's colors
Battery plates	Machinery
Belts	Moldings
Binding machinery	Panoramic sights
Book cloth	Paper
Book leather	Paper boxes
Bricks	Plaster
Canvas	Printing inks
Cartons	machinery
Chemicals	Printing
Clothing	Projectile hoists
Copper battery plates	Reproduction of maps
Corduroy	Sash
Cotton cloth	Steel (structural)
Doors	Stitching wire
Dynamos	Stone
Engines	Tentage
Equipment (army)	Terra cotta
Equipment (horse)	Thread
Gauges	Tiles (roofing)
Glue	Tin
Gold leaf	Tinfoil
Gun fixtures	Tools
Iron (structural)	Trilling
Lamp brackets	Twine
Lamp standards	Varnish
Lead (refined)	Wagons

entials, no decision will be made until public hearings have been held.

The department's statement also makes clear that the outlawing of bid-peddling does not mean that bidders may not deal with legitimate subcontractors. In regard to stocks now on hand, the regulations will probably provide for their acceptability under the new contracts, provided such stocks are in the dealer's possession when the bid is submitted. The government will not permit goods manufactured for it to become "floor stocks," however, for the purpose of evading the act.

Before the law takes effect a meeting of the various government purchasing agencies will be held for the purpose of standardizing procedure.

Rulings on Payroll Tax

WASHINGTON (*Business Week Bureau*)—With regard to the tax on employers of eight or more persons which was imposed by the Social Security Act, and went into effect this year, the Bureau of Internal Revenue has ruled:

1. An employer must pay the federal tax even though the state in which he is located has not passed an approved unemployment compensation law.

2. Tips paid directly to an employee by a customer of an employer, and not in any way accounted for by the employee to the employer, do not constitute "wages" within the meaning of the act.

Union vs. Union

Toledo glass plant forced to close after one faction picketed the gates against another. Same scene may be acted on national stage.

WITH the heat temporarily off in the dispute between American Federation of Labor craft unionists and John L. Lewis' Committee for Industrial Organization, by virtue of the A. F. of L. postponement of the C.I.O. showdown until Aug. 3, business men got a chance this week to study a Toledo labor eruption which illustrates how dissension within union ranks may halt production.

Management has little or nothing to do with the cessation of business at the Closure Service Co., bottle cap factory in Toledo. Management did close the plant, but only to avoid what looked like serious trouble, after one faction of unionization picketed the gates against another faction.

Opposed in the Closure case were the C.I.O. and the A. F. of L. craftsmen. Owens-Illinois Glass Co. bought the Closure company some time ago, and organizers from both sides went to Toledo to sign up the 600-odd workmen who made bottle caps. Flat Glass Workers Union (C.I.O.) is strong in Toledo, has units in Libbey-Owens-Ford plants. Glass Bottle Blowers Association has its strength in Owens-Illinois' other plants.

Meeting head-on, the two groups managed to divide converts and to get into a tangle of jurisdiction. Flat glass workers picketed the plant, kept bottle blowing adherents out, and the plant management locked up. Toledo newspapers and civic organizations have tried to settle the row with a plan for a general election, majority to rule, but this has

been declined by the C.I.O. leader, Glen W. McCabe.

Thus the craft vs. industrial fight has been put on in miniature, in a fashion which may indicate the course of other disputes, should dual organizations be set up after the A.F. of L. and C.I.O. come to a final division.

In the meantime, Lewis and his unions denied the A. F. of L. council had power to try them, and steel towns saw a continued infiltration of C.I.O. organizers this week, with literature coming out in larger volume stressing the arguments of industrial unionism. Organizers claimed large increases in membership by the Amalgamated Association of Iron, Steel & Tin Workers; mill managers retaliated that the drive had lost momentum, looked like a failure. But, widening its scope, the C.I.O. included steel processing and fabricating plants.

Whose Fault?

In the opinion of most labor observers, danger of serious labor trouble before the election has passed. Republican sentiment is to the effect that a major steel strike would embarrass the Administration and cost it votes, because people would say "the Democrats got us into this mess." On the other hand, Democratic feeling is that the response of the electorate would be, "most of the mill owners are Republicans, they are to blame."

But in the final boiling down, John L. Lewis has the say-so on the campaign



PARTISAN NON-PARTISAN—The big three of Labor's Non-Partisan League (from left: George L. Berry, Sidney Hillman, John L. Lewis) disclaim any intention of working for Republican or Democratic tickets—but they have announced for President Roosevelt.

in the mills, and his support among the workers is not heavy enough to date for successful action. In launching his drive, he chose the industry in best position to resist. His bold attack may fail, but even so will involve less loss of prestige than if he had chosen the relatively easy going in an industry like construction, where contractors would welcome a unified labor setup and avoidance of jurisdictional disputes.

Lewis also may gain in another way: support added to the Amalgamated will mean more votes on his side when the next A. F. of L. convention is held, may help swing the whole federation to his industrial union idea.

Darkest side of the picture is the status of steel mills which aren't in position to close for any extended period, because the increased demand of automobiles means that motor makers might set up their own mills if supply were interrupted.

Akron continued to stew this week in the strong juices of labor upheaval, after more sitdown strikes in Goodyear plants. Gradually changing over from the hands-off attitude characteristic of last winter's big strike, Mayor Lee D. Schroy announced that sitdowns must end, and that the Akron police force would be kept available to aid Goodyear in keeping its plants running.

Another angle in the Goodyear labor war is of growing importance: National Labor Relations Board has entered the picture. Its participation is of standstill character at least until July 27, because Goodyear secured an injunction in the District of Columbia Supreme Court, restraining the board from opening a scheduled hearing on alleged unfair labor practices. Whether the board must stay out entirely will be decided by Judge O. R. Lurhing, who issued the restraining order and who will hear arguments to make it permanent.

Power Companies Will Expand

Though now awaiting the results of the election, they are bound to issue big orders for equipment afterward, no matter who wins the Presidency.

LATE in 1936 the electric utilities will resume their old policy of keeping several years ahead of demand. They've had it in mind for 15 months or more, have been waiting for the green light in Washington. But the signal they were looking for—moderation of the New Deal power policy—did not come and appropriations have amounted only to dribbles for the most crying needs.

Right now power company executives are awaiting results of November's elections. Immediately afterward it is a lead-pipe cinch that rubber bands are coming off wallets, no matter who lands in the White House. Orders will come with a rush, because the peak load in December is going to push electric energy output so close to capacity that few companies will have big reserves.

Warning Is Sounded

Companies manufacturing heavy electrical equipment are worried, make no secret of doubts about being able to fill those orders. Take the word of F. A. Merrick, Westinghouse Electric & Manufacturing president. In reporting orders of \$88,880,060 for the first half of 1936 (up from \$64,984,915 in 1935) he noted that utilities' orders for generating equipment have dwindled since a modest spurt early this year. He solemnly warned that a shortage of capacity looms in many parts of the country and that the utilities may have a bad time trying to get deliveries if the business come out all at once.

Both Westinghouse and General Elec-

tric recently have cast some light on the volume of generating equipment orders. The former has booked about \$17,000,000 of this business so far this year. G. E. reports that new orders include two 60,000-kw. turbine generators for Ohio Power Co. and West Penn Electric Co. for their jointly owned Windsor station and a 75,000-kw. generator for Union Electric Light & Power Co.'s Cahokia station at East St. Louis. However, these generators General Electric is building won't be ready until 1938.

While it is true that many power companies can meet growing use, it is easily demonstrable that, in the aggregate, the industry is face to face with a situation which is ground for some concern. In the middle of the summer (and long days cut domestic and retail sales) output set new high records in two successive weeks, sagged over July 4, then shot up to further all-time tops. If this can happen in midsummer, what will be the total in the week before Christmas when, every year, the peak is recorded?

Statistically the answer may be sought by several methods. One is to assume that, as output in the first five months of 1936 topped 1935 by 13.6%, the week of Dec. 19 should run 13.6% ahead of the comparable 1935 period—should hit 2,274,277,000 kw.-hr. But there is one catch in this line of figuring—so rapid was the upturn late last year that the remainder of 1936 can hardly maintain that 13.6% margin.

Another method of arriving at the



MORE POWER—Henry Ford turns on the gigantic steam turbine generator at the Rouge plant, raising plant power capacity from 200,000 hp. to 326,000 hp. The new high-pressure boiler provides steam at 900 degrees F., at the rate of 900,000 lb. per hr.

possible 1936 peak is on past performance. Thus, if the highest week in June this year hit 2,029,000,000 kw.-hr., what increase over that level may be expected in the week of Dec. 19? What has been the experience of past years? Eliminating the deep depression years of 1931, 1932, and 1933, the largest increase from June's best week to the year's top was 12.8% in 1935. The gain in 1929 was 9.8%, in 1934 it was 6.7%, and the smallest upturn was 3.7% in 1930. Computed on the high and low—12.8% and 3.7%—the week before Christmas this year should see electric energy production at an all-time high somewhere between 2,104,073,000 and 2,288,712,000 kw.-hr.

Enormous Total

These figures take on significance in the light of estimated capacity. The Edison Electric Institute placed generating capacity at the end of last year at 33,749,700 kw.. Projecting this on a weekly basis and allowing for about 40% use factor (about as high as can be expected due to fluctuations in demand over the 24 hours) a seven-day maximum of 2,267,980,000 kw.-hr. would be indicated. To this might be added a little over 18,000,000 kw.-hr. on the basis of *Electrical World's* Jan. 1 estimate of about 270,000 kw. additional capacity to be installed in 1936—a grand total of 2,286,000,000 kw.-hr.

There is one thing which might pre-

vent demand late in 1936 from taxing present capacity—sharp recession in industry. For industrial recovery this year has contributed a major part of the increased use. The gain in this classification for the first five months was 15.6% over 1935; the total industrial use of power rose almost to 4,000,000,000 kw-hr. a month.

About the only ones who don't seem worried about the utilities' problem are the utilities. They are testing old standby equipment to see how much it will be able to contribute to their output in a pinch. They are increasing the capacity of substations, boosting central station capacity here and there, and seeing to it that surplus kilowatts of neighboring companies may be tapped by interconnection. Thus they are confident that they can get by this year. In 1937, however, there are operating men who will tell you that the utilities will pay bonuses to construction crews for overtime, because utility generating capacity cannot be put in overnight. It requires about a year to build a steam plant, longer for a hydroelectric station.

Study Rates in TVA Area

WASHINGTON (*Business Week Bureau*)—Electric power rates in Tupelo and Alcorn County, Miss., two of the Tennessee Valley Authority's earliest customers for wholesale power, are to be checked in a survey started by the Federal Power Commission.

The work is being undertaken as a continuation of the commission's study into the cost of power distribution. The commission feels that its first studies included an undue proportion of larger communities, and plans to supplement it by making additional surveys in smaller consuming centers, both inside and beyond the TVA area.

Public Works Challenged

WASHINGTON (*Business Week Bureau*)—In appealing to the United States Supreme Court a routine land condemnation suit, the Potomac Electric Power Co. of Washington raises a question of the legality of that section of the National Industrial Recovery Act which authorizes public works construction.

The suit originated when the government, through the Treasury's Procurement Division, condemned a small plot of land on which the power company had a substation for the site of the new Interior Building. Although the company claimed a loss of \$180,000, the district court awarded it only \$23,167 and this verdict was subsequently upheld by the court of appeals.

Now the company is asking a review by the Supreme Court and is, for the first time, challenging the entire construction program authorized by NIRA.



HOW THE ELECTRICITY LOAD GROWS—Among new blocks of power, one of the greatest building up is that which comes about through electrification of federal housing projects. Georgia Power Co., for instance, will direct and supervise installation of 1,278 electric ranges in the Techwood and University slum clearance projects in Atlanta. Part of the first shipment of 600, from Westinghouse, is shown; all stoves being of latest design, with three cooking units and standard oven.

Light in Patman Law Darkness

Termination of Goodyear-Sears tire contract and cuts in chain store advertising point trends; new Federal Trade Commission report clarifies situation.

OUT of the confusion into which all distributive trades were plunged with the passage of the Robinson-Patman anti-price discrimination act one month ago, there emerged last week several developments which somewhat clarified the probable long-range effects of the new law upon marketing operations.

Most important of these developments was the termination by Goodyear Tire & Rubber Co. of its tire contract with Sears, Roebuck & Co. The cryptic observation of Gen. R. E. Wood, Sears president, that Sears would get its tires from manufacturers "who were not affected by the Robinson-Patman Act" emphasized the accuracy of the prediction frequently made during congressional consideration of the measure that it would compel large distributors to secure their requirements from owned or controlled sources of supply.

Such a move appeared logical, for if a chain or mail-order house could not obtain its private brands from a large general manufacturer without running afoul of the new law, its only alternative lay in sidestepping the entire possibility of discrimination by buying only from suppliers who dealt exclusively with mass buyers. Either that, or a court fight which might at any time result in a sudden stoppage of requirements and leave the distributor in a bad spot.

Just which manufacturers "not affected by the Robinson-Patman act" Sears will patronize is a matter of conjecture. The trade's best guess is that the new production pattern will closely resemble that which Sears was considering at the time the Goodyear contract came up for renewal in 1931—an organization of small tire manufacturers in various parts of the country built around the Lake Shore Co. Such a setup, it was figured at the time, would be able to turn out Sears' All-State tires on a comparable price-and-quality basis, but Sears apparently decided to stick with Goodyear, partly because such a decision was in line with Sears policy of getting out and keeping out of manufacturing operations—a policy now likely to be reversed.

Some Lake Shore Tires

In connection with Sears' future moves the trade notes with interest two facts: (1) From 1929 to 1934 the Lake Shore Co. supplied a portion of Sears requirements outside of the Goodyear contract; (2) for the past several months, dating roughly from the time when the Federal Trade Commission issued its cease-and-desist order against Goodyear, the Lake Shore Co. has been making first-line All-State tires.

That Goodyear relinquished the Sears' contract, scheduled to run until

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1942, with reluctance may be adduced from the fact that Goodyear still refuses to accept the cease-and-desist order on the now defunct contract, has served notice that it will contest the case now pending in the Circuit Court of Appeals at Cincinnati to the last ditch.

Although only the courts can provide the clarification which a dozen disputed points in the act demand, some light on the situation was shed last week by the Federal Trade Commission in a report artfully entitled, "Data compiled from public sources of information and reproduced by the Commission in connection with its administration of the Robinson-Patman Act." While this document scarcely fills the demand of trade groups for an "official" interpretation of the act by FTC, it does give an inkling of what FTC thinks and hopes it might mean.

Reading Between Lines

The selection of excerpts from the report of public hearings and the *Congressional Record* carries its own subtle innuendoes, sharpened here and there by transitional comments, pointing significantly, for example, to reasons why certain proposed amendments were omitted and why others were included. The attention which FTC gives to the possibility of controlling intrastate operations under the law, the frequent citations from H. B. Teggarden, legal counsel for the United States Wholesale Grocers Association, and other aspects of the report make clear that FTC hopes to claim the maximum of territory under its new Robinson-Patman franchise.

In this intention it will have the militant support of the independent retail and wholesale associations, and evidently group pressure will be a factor in FTC's administration of the act. Significantly, this week's issue of *Drug Topics* asks retail druggists to vote on whether FTC, under the Robinson-Patman act, should outlaw free deals. The ballot reads: "Please tell the Federal Trade Commission that I, as a retail druggist, (do not want) (do want) free deals continued, provided deals are made available to all customers on the same basis."

Pressure for Allowances

Meanwhile chains are beginning to serve notice that they intend to continue doing business as usual, despite restrictions which the law seeks to place on their operations. One drug chain is reported to have drafted separate contracts which make it an agent of the manufacturers for advertising purposes, and provide for the continued payment to it of the advertising allowances that in the past it secured as a special price concession. Sponsors of the Robinson-Patman act sought to outlaw these allowances by the provision forbidding

payment "in connection" with the processing or sale of any products unless such payment is available on proportionally equal terms to all other customers. Chain men feel that the separate agent's contract, signed without regard to the volume of purchases made, would be legally exempt inasmuch as it is not made "in connection" with the sale.

Other chains, protesting against the blanket cancellation of their usual allowances and special discounts by large manufacturers, are expressing their displeasure by cutting down advertising support in local newspapers. Allowances were cancelled by many large food and drug companies "as an emergency measure" after the passage of the act, but chains thought they detected in such actions a sigh of relief that some plausible reason had at last been found permitting manufacturers to demand a real deal on price concessions to the big buyers. These mass distributors want to be sure that the cancellations were only emergency measures, that the old special payments for big business will be resumed on the former scale in short order.

Pedigreed Furniture

Grand Rapids Guild certifies each piece and gives bronze plate with serial number.

TEN makers of quality furniture at Grand Rapids are offering the public pedigreed furniture, through dealer members of the Grand Rapids Furniture Makers Guild.

All the factories are competitive. Each piece of Guild furniture is certified and registered. It is labeled with

a bronze plate carrying the serial number and accompanied by a registration certificate which becomes the property of the retail purchaser. It carries not only the maker's guarantee of value and excellence, but also the endorsement of nine competitors (who have had nothing to do with its production).

Retail prices aren't snooty. They cover a wide range in the better furniture field. The furniture is sold by dealers who are invited to join the guild because of their long identification with high-grade merchandise. Dealer membership numbers less than 300 out of more than 14,000 furniture dealers in the United States. Usually only one dealer is appointed in each city.

Can't Buy Membership

There are no dues for dealers; neither can a dealer membership be purchased. Only dealers who continue business practices approved by the manufacturers can remain members of the guild. They are furnished with suggested advertising copy, radio advertising talks, material for sales meetings and copies of a consumer magazine called the *Stylist*.

The guild started in 1932, at the depression bottom, has been growing ever since. Its purpose was to set up a standard of quality at a time when the market was being flooded with cheap merchandise. Not skilled in telling good from cheap furniture, the public could easily be fooled by the unscrupulous dealer and by "design pirates" who made furniture which looked like the original, better-grade merchandise.

Members of the guild are Imperial Furniture Co., Johnson Furniture Co., Johnson - Handley - Johnson, Mueller Furniture Co., Grand Rapids Chair Co., Ralph Morse Furniture Co., Widdicomb Furniture Co., John Widdicomb Co., William A. Berkey Furniture Co., Brower Furniture Co.



QUALITY AND VALUE—This is the way the Grand Rapids Furniture Makers Guild certifies to the worth of products turned out by its members.

New Wallpapers

Public invited to attend convention. Washable paper is outstanding development.

WALLPAPER "consumers" are this year invited for the first time to attend the annual show of the Wall Paper Institute, to be held in New York's gilded Waldorf-Astoria Hotel July 27 to 31. Formerly the annual display of new designs consisted entirely of room showings for the trade. The room exhibits will be held as usual this time but in addition large halls will be devoted to the general public. Newspaper advertisements will be run to boost attendance.

There is little change in the number of wallpaper exhibitors (23 this year) but generally more space is being taken and displays are more comprehensive. In addition to wallpaper manufacturers

who are members of the institute, allied interests will be represented. They include makers of raw stock, pigments, machinery, display accessories, as well as block cutters, designers, and trade publications.

The wallpaper industry looks at current figures and feels mighty cheered. From a peak of \$34,760,000 in 1923, manufacturers' sales fell to \$15,110,000 in 1933. Thence it has recovered to an estimated annual volume of \$21,500,000.

Old Houses Best Bets

Curiously, the industry is not particularly excited over the promised boom in home building. By far the best demand for papering is for sprucing up rooms in older houses.

Outstanding development is in washable paper. Practically all good papers are now waterproofed during manufacture with caseins or formaldehydes. This has created a revolution in color and design.

Instead of drab hues which nicely camouflaged smudges, the new papers are generally light with more colorful printings. It makes for brighter, more cheerful rooms. New patterns are generally larger. The industry insists that the effect is more spacious because of the perspective and depth of the new designs. This opposes an old customer fixation which holds that small designs give an impression of expansiveness. Selling of the larger designs on this argument is especially important since the papering of small rooms represents a huge portion of present demand.

Furniture Booms

Show at Chicago's American Furniture Mart attracts 9,270 buyers; sales hit new record.

ALL records for exhibitors, attendance, buyer registrations, and orders booked had been broken when last Saturday the doors closed on Chicago's 25th semi-annual National Furniture Show at the American Furniture Mart.

The last buyer to arrive drew No. 9,270 which was just 1,063 above the previous all-time high of 8,207 set last January, and 1,962 above the summer show record of 7,308 in July, 1935.

Orders actually placed at the show are estimated to have totaled \$60,000,000 while additional orders, made up after the buyers get home, plus replacement purchases, are expected to push sales credited to this show up to \$100,000,000.

Several factors combined to produce those record-breaking figures.

Aside from a general increase of over 100 in the number of exhibitors—now over 700—electric appliance, floor covering, lamp and toy manufacturers ex-

hibited in greater numbers and bid more aggressively for business.

However, the main reason for the new records was the retailers' downright need for new and more merchandise. Many furniture retailers have been cashing in on the budding building boom and the fact that more employment and bigger payrolls mean more money available for home equipment. They bought quite liberally at the winter shows, but in the rush of consumers' spring buying they have seen their stocks depleted to a point where they have been losing sales. Increases in sales volume reported by various exhibitors ranged all the way from 15% to 100% more than sales made at the last show. The 76-year-old Tennessee Furniture Co. called this the best market in its history.

It was agreed that the extremely cheap stuff now is definitely out of the picture. The increases of 5% to 10% over January prices hardly caused a flutter among retailers, but delivery dates were definitely on their minds.

Those conditions applied more particularly to staple items. Where manu-

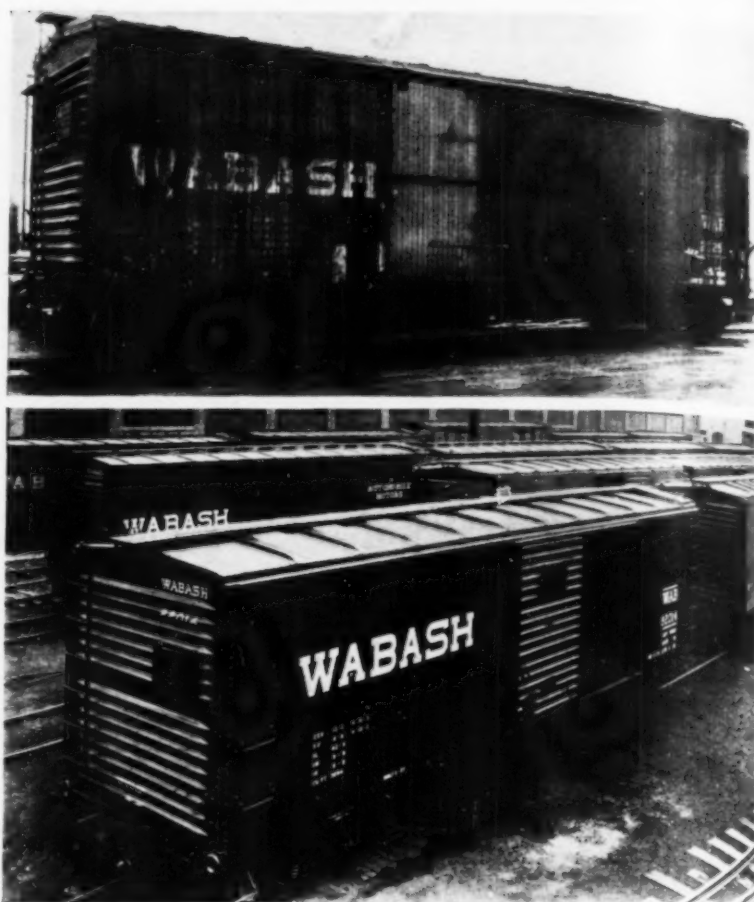
facturers introduced new designs, they frankly admitted that they were taking a bigger profit. Similarly dealers are proposing to take a higher mark-up as long as the public is willing to pay.

Aside from various novelties and bizarre eye-catchers, new numbers introduced at this show indicated that most designers and manufacturers are sticking close to accepted patterns.

Walnut Most Popular

A study of woods used, made by the American Walnut Manufacturers Association, disclosed that in over 2,000 suites of furniture displayed at this show American walnut topped all other woods with 47.7% compared with 46.4% for last year, mahogany ranked second with 13% against 11.5% last year, and maple made the biggest gain, jumped from 6.8% to 10%.

Chicago's other furniture show, at the mammoth Merchandise Mart, similarly broke records with attendance of 9,005 buyers or 36% more than last July. Business done there was also at unprecedented levels.



REBUILDING THE RAILROADS—Thousands of freight cars are needed to replenish rolling stock, meet new demands as shipments increase, and a great many roads are busy building new cars and making new ones out of old ones. These pictures are of the same car, before and after Union Metal Products Co. built steel sides, corrugated doors, and new steel-paneled roof for it. The original steel ends, dating from the car's birth in 1919, were still in perfect condition, and were used in the new cars.

Railroads Are Unsaddling RFC

They are getting the government agency out of their business by repaying loans, either from cash on hand or through new financing.

WITHOUT the benefits of timbrels and drums to herald the event, the railroads are putting the Reconstruction Finance Corp. out of their business.

Only last week, the Guaranty Trust Co. took the New York, Chicago & St. Louis (Nickel Plate) out of government pawn by buying the road's \$10,000,000 note held by the RFC.

And just before that, the Southern Pacific slipped out of government captivity by paying off all its own indebtedness to the RFC and also the debt of its subsidiary, the St. Louis-Southwestern, which is commonly called the Cotton Belt.

And before that, the Great Northern managed to escape the toils of the RFC when it sold \$100,000,000 of 4%

bonds to the public, after the government bail-out agency agreed to buy what was not sold in the open market. RFC aid thus became unnecessary to Great Northern.

What the railroads are doing is in line with what big city banks have done (*BW*—July 4 '36, p.40). Only, in the case of the railroads, the RFC did an urgent rescue job. The carriers needed the money. The banks, on the other hand, sold preferred stock or notes to the RFC only because President Roosevelt urged them to do so.

But now that earnings are up and investors can look along the gilt-edge of a railroad bond without blanching, the opportunity is ripe to pay off RFC indebtedness—either out of cash in the

railroad treasuries or through new financing. The Maine Central early this year sold bonds to get out of hock to the government; the Missouri-Kansas & Texas, in May, used cash on hand to pay off \$2,300,000; the Pennsylvania Railroad combined both methods.

On June 30, the RFC had advanced \$497,880,572 to the railroads; \$109,448,518 had been paid back. Since then, repayments have amounted to \$45,751,818, so that current RFC holdings aggregate approximately \$340,000,000, allowing for very recent loans. Hence, the carriers still have quite a distance to go before they are free. But, apparently, they are well on their way.

Limit on Dividends

The stimulus to retire RFC debt is strong because most of the loans are secured by collateral. In the case of the Southern Pacific, the government held 120,000 shares of Pacific Fruit Express as protection. Under the terms of the loan agreement, restrictions were placed on dividends. Now that Southern Pacific has retrieved the Express shares, it is in a position to draw down larger dividends.

Banks, too, are fairly anxious to see the railroads clear out of RFC. Money is so plentiful that financial institutions are going after borrowers instead of waiting for them to find their way to vice-president's desks. And every time a railroad borrows from a bank to pay the RFC, the bank's earnings assets increase. Thus, the Guaranty took over the Nickel Plate note.

Investment bankers, likewise, are alert to the possibilities of profit in railroad refinancing—and any time a strong road makes overtures for funds to place an RFC debt in private hands, a receptive audience is guaranteed. Both Morgan Stanley & Co. and Kuhn, Loeb have been active in aiding carrier financing, a role which no firm was willing to essay in the doldrum days of 1932 and 1933.

Only an Emergency

The RFC railroad financing is small compared to aid during and after the World War. In that period, carriers borrowed \$1,080,000,000 from Uncle Sam. Of that amount, approximately \$1,043,000,000 has been repaid, along with \$217,000,000 interest. It was characteristic then—as now—for the railroads to regard federal financing as strictly emergency and to discharge the indebtedness with dispatch.

But not all roads will be able to act with speed. Roads in receivership, of course, will find it difficult (the Cotton Belt, in reorganization, was aided by the Southern Pacific) to get outside financing—and certainly not at rates as low as the RFC offers. Financially strong companies, however, with the corporate bond market gulping offer-

Major Railroads—How They Stand With the RFC

Out of Debt

Company	Borrowed and Repaid	Company	Borrowed and Repaid
Cincinnati Union Terminal.....	\$8,300,000	New York, Chicago & St. Louis.....	\$18,200,000
Great Northern.....	6,000,000	Pennsylvania.....	28,900,000
Gulf, Mobile & Northern.....	520,000	Pere Marquette.....	3,000,000
Maine Central.....	2,550,000	St. Louis-Southwestern.....	18,672,000
Missouri-Kansas-Texas..	2,300,000	Southern Pacific.....	*22,000,000
		Texas & Pacific.....	700,000

*Excludes \$12,000,000 bonds once held by RFC and recently retired.

Still in Debt

Company	Amount Received	Repaid	Balance Due
Baltimore & Ohio.....	\$82,110,400	\$12,150,500	\$69,959,900
Boston & Maine.....	7,569,400		7,569,400
Chicago & Eastern Illinois.....	5,916,500	155,600	5,760,900
Chicago, Milwaukee, St. Paul & Pacific.....	12,020,000	500	12,019,500
Chicago, Rock Island & Pacific...	13,718,700		13,718,700
Colorado & Southern.....	28,925,300	1,481,000	27,444,300
Denver, Rio Grande & Western...	8,081,000	500,000	7,581,000
Erie.....	16,582,000	4,700	16,577,300
Illinois Central.....	17,840,300	90,000	17,750,300
Lehigh Valley.....	8,500,000		8,500,000
Minneapolis, St. Paul & Sault Ste. Marie.....	6,843,100	597,200	6,245,900
Missouri Pacific.....	23,134,800		23,134,800
New York Central.....	27,499,000	15,600,000	11,899,000
New York, New Haven & Hartford	7,699,800	34,200	7,665,600
Pittsburgh & West Virginia.....	4,475,200	750,000	3,725,200
St. Louis-San Francisco.....	7,995,200	2,805,200	5,190,000
Southern Railway.....	19,610,000	264,300	19,345,700
Wabash.....	15,731,600		15,731,600
Western Pacific.....	4,366,000	1,403,000	2,963,000

Never in Debt

Important railroads which never borrowed from the RFC were: Atchison, Topeka & Santa Fe; Bangor & Aroostook; Chesapeake & Ohio; Chicago, Burlington & Quincy; Delaware & Hudson; Kansas City Southern; Louisville & Nashville; Norfolk & Western; Northern Pacific; Union Pacific and the Virginian.

Business Week

ings, are in a position to do refinancing at a low cost.

In addition to its direct loans to railroads, the RFC also holds bonds and equipment trust certificates of the carriers. These represent securities originally purchased from the railroads by the Public Works Administration as a means of stimulating heavy industry. As such, they were not financing in the true sense; rather the roads sold securities to PWA to anticipate capital goods requirements. The inducement was cheap financing at a time when money was scarce.

PWA has disbursed \$200,530,000 to the railroads, of which \$191,344,500 was sold to RFC. Then RFC turned around and unloaded \$91,741,000 in the open market; in addition railroads bought back from the RFC \$23,073,000 of PWA notes, and from PWA \$84,000. At last reports, RFC held \$76,530,500 railroad securities originally purchased by PWA and PWA retained \$9,101,000. The presumption is that RFC will continue to sell off these securities as rapidly as possible.

The purpose of this would be two-fold: (1) It might result in a profit if the bonds or notes are offered above par; (2) it would supply the RFC, which has become a government revolving fund, with cash for other purposes.

Whether the RFC hastens or dawdles, however, Uncle Sam, as a pawnbroker for the railroads, definitely is losing his grip. Better earnings are prodding the roads to get themselves out of government pawn.

Rap Rock Island Plan

Bondholders assail drastic scheme of reorganization. Its revision is expected.

DIRECTORS of the Chicago, Rock Island & Pacific Railroad last week filed a plan of reorganization and this week bondholders had a bad case of the grumbles.

D. S. Beebe, vice-president of the Mutual Life Insurance Co., and chairman of a committee for Rock Island's first and refunding 4's, declared the proposals unsatisfactory.

Other bondholders decided that the plan was "just a formality" to comply with a court order and "hadn't a chance." The idea was that the best to be said was that the directors offered a base to work away from.

Under the plan, annual fixed interest charges would be sliced 82.6%. Bondholders would get for their patient suffering with the road only income bonds. New fixed interest obligations would be issued for \$15,000,000 to \$20,000,000 new capital.

As far as railroad reorganizations go, the Rock Island plan establishes a record as the most severe proposed to

date under Section 77b of the bankruptcy act. Inasmuch as assents from a majority of security holders are necessary under the law, it is expected that revamping of the plan will follow as a matter of course.

In many cases, income bonds offered to bondholders are only 50% of face value, with a supplementary solace in first and second preferred stocks. Stockholders are summarily treated; preferred and common holders receive some new common and option warrants.

Any plan for the Rock Island must be drastic. Losses of the road this year are greater than in 1935.

Urged to Electrify

12,000-mi. program for 20 railroads suggested by Federal Power Commission.

WASHINGTON (*Business Week Bureau*)

—Electrification of 12,000 miles of track on 20 railroads at an estimated cost of \$600,000,000 is suggested by the Federal Power Commission this week in one of a series of studies anticipating future power requirements. Present electrified trackage of 29 steam roads is 6,441 miles. The commission does not contend, in selecting roads showing the best possibilities for electrification of some portion of their main lines, that this would be economically justified in every case nor does its report discuss where the railroads would get the money for the job.

The route mileage covered by this

list of electrifications amounts to 5,429 miles and the various sections considered vary in length from 47 to 542 miles. Several of the principal routes suggested for electrification are the Boston & Maine from Boston to its western connections at Troy and Rotterdam Junction, N. Y., 225 miles; New York, New Haven & Hartford from present termination of electrification at New Haven to Boston, via Short Line through Providence, 157 miles; New York Central from terminus of present electrification at Croton to Albany, Syracuse, and Buffalo, 402 miles; Pennsylvania from Pittsburgh to Paoli (near Philadelphia), 261 miles; Baltimore & Ohio from Baltimore to Glenwood Junction, Pa., 320 miles, and from Cumberland, Md., to Fairmont, W. Va., 123 miles; Chesapeake & Ohio from Clifton Forge, Va., to Russell, W. Va., 250 miles; Chicago, Milwaukee, St. Paul & Pacific from Avery, Idaho, to Othello, Wash., 212 miles, to connect existing installations; Great Northern from terminus of present electrification at Skykomish to Seattle, 85 miles; Union Pacific from Cheyenne to Ogden, Utah, 483 miles; Atchafalaya, Topeka & Santa Fe from San Bernardino, Calif., to Winslow, Ariz., 542 miles; Southern Pacific from Roseville, Calif., to Sparks, Nev., 139 miles, and from Bakersfield to Los Angeles, 171 miles.

The transmission and overhead catenary system for a double track line costs, in round figures, \$30,000 per mile, to which substations may add \$15,000 per mile. Railroad electrification on the scale suggested would create a market for 5,000,000,000 kw.-hr. The trend in railroad electrification has been toward purchased power, which amounted in 1933 to 715,742,000 kw.-hr. as compared with 607,070,000 generated by railroad plants.

Tanker Boomlet

THANKS to long-distance management and financing by the big oil companies, tanker building held up comparatively well during the slump. There is now a noticeable bulge in orders, reflecting a brighter outlook for the industry plus confidence that it will continue. Most dramatic was the announcement (July 16) of eight new tankers for the Standard Oil Co. of New Jersey. Total tonnage is 100,000, total cost about \$13,000,000. They will displace coastwise vessels now in their declining years. All will be built in American yards.

The S. O. announcement followed a roundup by the U. S. Bureau of Marine Inspection and Navigation showing 10 tankers under construction in this country. Included were two for Standard of Indiana, two for Socony-Vacuum, one for Atlantic Refining, two for Gulf Refining, two for Pan-American, one for American Tankers Corp.



WON'T STAND FOR IT—Philip Davis, New York lawyer, wants his money back from New York Central because, he says, he had to stand all the way home from Albany. Subway sardines are reported looking for a champion of their own side of the great Manhattan seat search.



"Flexibility AND Simplicity OF THE 'COMPTOMETER'—PEG-BOARD. COMBINATION APPEALED TO US."

—BORDEN'S PRODUCE COMPANY, INC.

"ISN'T there a quicker and more economical way to handle our figure work?" A new answer to this question is the "Comptometer"—Peg-Board method. Because of its extreme flexibility and simplicity it is being applied with substantial savings in practically every line of business on various analyses such as sales, expense, material, costs, inventory control, and other figure work.

The experience of Borden's Produce Company, Inc., serves as an excellent illustration of the adaptability of the "Comptometer"—Peg-Board combination:

"Because of our success with the 'Comptometer' and Peg-Board in handling our reports on fluid milk," writes Peter Campbell, Controller, "our first thought, upon entering the retail distribution field, was to investigate the possibilities of handling this additional volume of figure work on the Peg-Board.

"We were rather doubtful at first because of the fact that we have nearly 500 items in our line to analyze daily by salesmen and territories at each of our branches. A 'Comptometer' representative, however, was called in for assistance in studying our problem. The flexibility and simplicity of the 'Comptometer'—Peg-Board combination appealed to us and together we developed the Peg-Board routine we are now using.

"Our experience with the 'Comptometer'—Peg-Board method in respect to fluid milk, retail distribution from trucks, and in retail branch operations, has been highly satisfactory from the standpoint of speed, economy, and accuracy. It is our opinion that with a little study this system can be adapted to most any business where a detailed distribution of a great many items is necessary."

A representative will be happy to explain how the Peg-Board achieves speed and economy by getting *final* results from *original* figures without recopying. Telephone the District Manager of the "Comptometer" office in your locality, or write direct to Felt & Tarrant Mfg. Co., 1733 North Paulina Street, Chicago, Illinois.

COMPTOMETER

Reg. U. S. Pat. Off.

In The AMERICAN TRADITION



Philadelphia waterfront in 1752, the year the oldest insurance company in America was founded—a mutual company.

NO institution or business is more essentially and typically American than Mutual fire insurance.

Founded before the signing of the Declaration of Independence.

The basic principles of Mutual fire insurance reflect the spirit of colonial America. Born at a time when honesty, sincerity and helpfulness between men was essential almost to existence itself—Mutual fire insurance has adhered to these fundamentals for nearly 200 years.

Mutual fire insurance, either for an individual or a corporation, has distinct and measurable advantages for the policyholder.

Policyholders in Mutual fire companies are assured of full protection plus a welcome and sizeable saving on their premium at the end of each year.

An interesting booklet on Mutual fire insurance will be sent on request. No solicitation will follow. Address the Federation of Mutual Fire Insurance Companies, 919 North Michigan Avenue, Chicago, Illinois.

MUTUAL FIRE INSURANCE

An American Institution

This seal identifies a member company of The Federation of Mutual Fire Insurance



Companies and the American Mutual Alliance. It is a symbol of soundness and stability



CHICAGO TAKES A RIDE—Chicago and New York got a glimpse of the new double-deck General Motors bus last year (*BW*—Jun 29 '35, p. 14) and liked it. Liked it so well, in fact, that 100 were ordered for Chicago Motor Coach Co. service, and the first one is now on the streets. Seating 72 persons, the new coach is fast, roomy, comfortable, good-looking. Each costs \$18,600, embodies forced circulation of air, automatic transmission, full illumination. Fifth Avenue Coach Co. of New York also bought 100.

Auto Sales Amaze Detroit

Midsummer business is so good that some companies will assemble '36 models for two months more. 1936 business is expected to equal that of '28.

DETROIT scarcely knows what to make of the midsummer hardihood shown by retail car sales, which have been so extraordinarily good that at least two prominent companies will assemble 1936 models up almost to Oct. 1. This will make them move fast to revamp assembly lines, get into production again, and stock dealers in time for the automobile show beginning Nov. 11.

The next 60 days will be a "pandemonium period" in southern Michigan, with new machinery being moved into motor car plants, parts being fabricated and stocked for 1937 cars, and 1936 models still being built. Shutdowns will be as brief as manufacturers can make them. Production executives have their fingers crossed, hoping that they can cut the idle period from 6-8 weeks to 4-6 weeks.

Some companies already are turning out 1937 stampings in small quantities. They expect to accumulate a considerable backlog to draw on when assemblies of next year's cars start. Sheet steel sizes for practically all the 1937 cars will be known by Aug. 1; in fact, automotive steel orders in the last week have been better than anticipated.

Motor magnates, gathered at the annual meeting of the Automobile Manufacturers Association in Detroit

last week, expressed their belief that 4,600,000 cars and trucks will be made this year (a little over 2,000,000 in the last half). That will put 1936 on a par with 1928 and exceeded only by 1929.

Next year promises to yield a business comparable with this year or possibly bettering it by 10%. Says a prominent car sales executive, "Further replacement needs plus continuation of government expenditures plus a flock of young buyers grown to maturity during the depression plus the onward march of recovery will probably make 1937 another good year."

Keen Competition in 1937

But some observers expect a period of "pause and readjustment," with production down to about 3,800,000 cars. While car makers won't admit any serious likelihood that their volume will turn downward in 1937, they acknowledge that competition will be harder than ever. Advertising budgets, therefore, will be fat.

Factory list prices of new cars are likely to stay at about the present level, despite increased costs of labor and materials. To get the same margin of profit as this year, car companies will rely on greater volume, improved and less expensive methods of manufacture.

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by use of modern equipment. If prices should go up, the advance will be small (probably \$10-\$20).

Safe construction and economy of operation will be big talking points in 1937 cars. Some companies see a broadened market if a light car with large-mileage-per-gallon should be introduced, partly to induce people to buy a second car for the family. As people spread out more into the remote suburbs where public transportation facilities aren't too good, the number of two-car families should mount. The super-optimists point to Los Angeles County, Calif., where cars are owned by almost everybody; if the rest of the country had cars in proportion, there would be 83,000,000, or so many that our highway system would have to be reconstructed to handle them.

Slow Bonus Spending

Used car stocks are less than they were at the peak in April and May, should decline progressively until the new model season is under way. They still are unwieldy enough, however, to give dealers the jitters. One reason is that the volume of business from the bonus in some sections has been less than anticipated.

The industry isn't too happy over the way the 1937 automobile shows are being scheduled. The Grand Central Palace Show in New York opens Wednesday, Nov. 11. The following Saturday the Chicago show and a number of local shows begin (all dealer-sponsored), thus overlapping the national show. It won't be possible for car makers to build one exhibit and use it at both New York and Chicago, consequently the Chicago show probably will suffer. All the shows have to fall in the short period between the presidential election and the beginning of the Christmas shopping season.

Willys-Overland has applied to the federal court at Toledo for permission to spend \$400,000 on machinery for a new model, thus indicating possible early announcement of reorganization plans. Hupmobile has announced that it will resume production late this summer. New Hupmobile models, which won't be radically different from the cars built late in 1935, will be displayed at the New York show.

Petroleum Problem

SINCE the discovery of the Rodessa oil field in Louisiana, other producing areas have been a bit jittery. Texas has done a sizable job in bringing her own huge production into line, has feared that loose methods in Louisiana might upset Mid-Continent prices. Since Huey Long gained power, the pelican state has had more than its share of politics mixed with its oil.

The Louisiana legislature has ad-

journed after passing several oil measures. Other states are greatly disappointed because they can't see that matters will be improved. There was much palaver over a new conservation law, but it turned out to be an assemblage of high-sounding obscurities and ambiguities. What is important is that real authority still rests with the commissioner of conservation.

In the past, the commissioner's policies have sometimes been denounced as unfair and not conducive to stability. Oil was a favorite field for the Kingfish's activities. The big companies are hoping that his spirit doesn't go marching on.

Oil Code, Maybe

SINCE the Supreme Court took petroleum from under the NRA code and the hard hand of Interior Secretary Ickes, the industry has been struggling for some form of self-control. The yearning was greatly stimulated by the federal anti-trust investigation in Madison, Wis., which was engineered by independents as an attack on the majors (BW—Apr 25 '36, p8).

A definite move toward harmony is now made by the industry. The directors of the American Petroleum Institute recently voted approval of an oil marketing code and recommended its submission to the Federal Trade Commission. This code was prepared for submission to Midwest territories by a meeting of refiners and marketers last June. Later it was decided to include all states east of the Rockies.

While strongly reaffirming their faith in free competition, the A.P.I. directors said they also believed "in ethical marketing practices" and urged the development of voluntary rules "under the trade practice conference system of the Federal Trade Commission."

Fewer Motor Deaths

The campaigns for highway safety bear fruit. A decline of 8% in automobile deaths is estimated by the Travelers Insurance Co. for the first half of 1936 compared to last year. The improvement is all the more significant when the increase in the number of motor cars and an 8% increase in gasoline consumption are noted. Totals are 14,550 deaths this year, 15,200 last year.

The pedestrian continued to be hard (and frequently) hit. This year there were 8,000 pedestrian fatalities representing 55%; last year the pedestrian percentage was 53%. Generally, the East is far ahead of the West in accident prevention. All three Pacific states had increases and there were more increases than declines in the Western mountain states. Despite the growth of the bicycle habit, there were fewer deaths of cyclists this year than last.



Lincoln Bank Tower, Fort Wayne, Ind.

CENTRAL HEAT CONTROL CUTS COAL CONSUMPTION

**Webster Moderator System Saves
\$781 in Lincoln Bank Tower
During '35-'36 Season**

Uses "Control-by-the-Weather"

Fort Wayne, Ind.—The Lincoln Bank Tower, equipped when built in 1930 with a modern vacuum system of steam heating, was further improved during the summer of 1935 with a Webster pneumatic-type Moderator System of Central Heating Control.

This improved system reduced coal consumption 150 tons during the 1935-36 heating season, equivalent to a cash saving of \$781.50.

During 1935-36, with the Webster Moderator System, the cost of heating the Lincoln Bank Tower was \$2,349.71. The old system for a comparable number of degree days would have required a fuel expenditure of \$3,131.21.

The effectiveness of the Webster Control is indicated in the following summary:

	Lbs. Coal Fired	Degree Days	Lbs. Coal Per D.D.
1934-35—Before Webster Control..	1,073,529	6,046	177
1935-36—After Webster Control..	902,000	6,792	132

Investigation of comparable buildings led the management of the Lincoln Tower to the conclusion that addition of Webster "Control-by-the-Weather," with accurately sized metering orifices and convenient manual supply valves, would afford increased flexibility and at the same time effect a modest saving.

The results of the first season's operation show the objectives fully achieved. Comfort has been increased and wasteful window opening reduced to a minimum.

Schwegman-Witte Co., of Fort Wayne, acted as heating contractors. The architects of the building, when it was constructed, were Walker and Weeks of Cleveland and A. M. Strauss of Fort Wayne.

If you are interested in heating new buildings, or in improved heating service and lower heating cost in your present building, address
WARREN WEBSTER & CO., Camden, N. J.
Pioneers of the Vacuum System of Steam Heating
Branches in 60 principal U. S. Cities—Estab. 1888

What Resettlement Is Doing

Besides tackling a stupendous drought relief job, it has hundreds of other projects on its hands and is buying a huge amount of land.

WASHINGTON (*Business Week Bureau*)—Thrust into the headlines again by its drought relief task, Rexford G. Tugwell's Resettlement Administration is drawing afresh the attention of the public by its colorful proposals for handling the crisis.

Besides its emergency relief job, RA is doing other work that combines relief with resettlement. For example, it will buy 4,000,000 acres, costing \$13,749,000, in the heart of the burned-out district, for conversion into controlled grazing ranges. And a short time before the drought crisis, Tugwell announced plans for purchase of 500,000 non-agricultural acres for recreational purposes. The cost of this recreational project is to be \$4,000,000 and the different sites are to take care of a total of nearly 30,000,000 people, and to be ready for use before the end of the summer.

No Compulsion Needed

Important as drought relief is, it is not Resettlement's big job. That is the removal of needy families from poor to good land. No compulsion is used in such movement, and only occasionally has it been deemed necessary to use condemnation proceedings, and then only when understood beforehand there would be no contest, or when the action was needed to obtain clear title to the abandoned land.

Movement of families from such regions has been wholly voluntary, and Resettlement has been prepared to finance such transfers, though many families have paid their own costs.

Resettlement is organized along a number of major lines, each with its distinct functions. They are: land utilization, which buys all land; rural resettlement, which handles the relocation of families taken from poor land; rural

rehabilitation, which supervises grants and loans; suburban resettlement, which cares for former subsistence homestead projects turned over to Resettlement Administration by the Department of the Interior or similar government agencies.

The initial study upon which Resettlement is based showed about 700,000 families living on land unfit to support them. Millions of acres thus were being misused. This gave the prime objective for Resettlement, which was to remove unprofitable land from cultivation and devote it to more valued economic uses.

Families on such unprofitable land were to be moved to land which, with industry, could support them satisfactorily. The average cost of the submarginal acres approved for purchase has been \$4.22, and experts have done the appraising. Purchases as of June 1 included 1,517,371 acres, costing \$6,988,020. Legal options had been taken on 8,569,553 acres costing \$36,874,278. This phase of the program, which meant settling of farmers on good land as well as the creation of small communities, has drawn more unfavorable comment than almost any other of Resettlement's undertakings.

It is denied, however, that such settlements have served to create federal islands, exempt from local taxation. Officials assert expenditures for construction and labor more than offset the temporary decrease in tax receipts, and that when the property is conveyed to the new owners by the government it becomes liable for taxes once more. Also it is asserted Resettlement projects have had most beneficial effects on surrounding reality.

Resettlement officials are claiming positive immediate benefits for labor as a whole, pointing out that the projects,

have provided immediate jobs for several thousands, under working conditions and wages established by the government. In May Resettlement employed 71,000 and that number is less than three-fourths of the totals expected before the summer is over. Both William Green and John L. Lewis have expressed their approval of Resettlement policies.

Road Cost Included

Unit costs have been held to a minimum in all Resettlement work, there being 95 projects with a total of 10,705 units, at an estimated cost of \$56,864,955, or \$5,312 per unit. This figure includes costs of roads, which are to be turned over to the counties, as well as cost of project administration. When these last are charged off the average will drop to around \$5,000.

Loans made by Resettlement have averaged \$350, of which it is expected 70% will be repaid, making the net loss per family only \$105, as compared with 50% higher figures for direct relief.

Farm debt adjustment has been conducted all along on a voluntary basis, the committees serving without pay and with the authority to enforce their rulings, which, if not satisfactory to all concerned, can be ignored. Creditors have in the majority of cases shown a willingness to reduce the debt, lower the interest, or extend the time for payment, and foreclosure has been regarded as a distinct loss to debtor and creditor alike.

Projects Listed

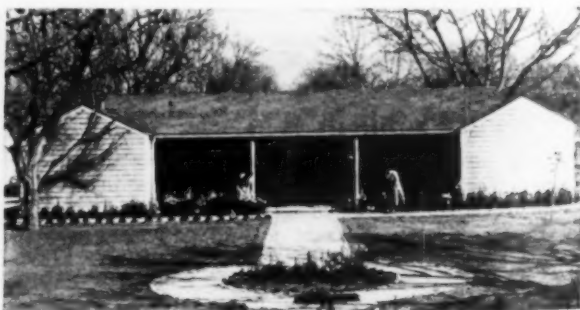
There are 209 projects in 43 different states, embracing the following types of project: agriculture, 100; Indian, 31; migratory waterfowl, 32; recreation, 46. The number of men employed on these projects as of June 1, was 50,899.

By the so-called Greenbelt projects at Berwyn, Md., Cincinnati, and Milwaukee, Resettlement has obligated itself for \$22,000,000, exclusive of the \$7,050,000 for work at Bound Brook, N. J., halted by court order.

Resettlement now has well-advanced



U.S.—Rothstein
A NEW START IN A NEW HOME—Homesteading, 1936 style, is a venture which appeals to nearly every family given the chance to move from land which is burned out, washed out, or farmed out, and away from houses which have fallen in decay.



U.S.—Lynn
The new Resettlement Administration houses are being occupied as fast as they are built in various sections of the country. The father of the girls tending the garden at right is a truck driver, earning \$95 a month. Rent and loan cost him \$15.20 a month.



Wide World

OUT WHERE THE TALL CORN GREW—Rex Tugwell, directing drought relief for the government, is getting a first-hand view of crop losses in a tour of the Midwest. At Bismarek, N. D., he talks it over in a hard-hit cornfield. From left: Gov. Tom Berry, S. D.; Tugwell; Gov. Walter Welford, N. D.; J. T. Sarvis, agronomist.

projects in Maine, New Hampshire, Rhode Island, Pennsylvania, Maryland, North Carolina, Virginia, Tennessee, South Carolina, Alabama, Kentucky, Illinois, Michigan, Wisconsin, North and South Dakota, Oklahoma, California, Wyoming, Oregon, and New Mexico.

Region	States	No. Projects	Families	Cost
1	Me., N. J., N. Y., Pa.	6	917	\$5,800,000
2	Mich., Minn., Wis.	5	402	1,408,000
3	Ill., Ind., Ia.	3	151	680,000
4	Ky., N. C., Tenn., Va.	10	1,345	10,051,000
5	Ala., Ga., S. C.	16	1,499	7,230,000
6	Ark., Miss.	13	945	800,000
7	Neb., S. D.	9	302	1,320,000
8	Okla., Tex.	10	999	4,890,000
9	Ariz., Calif.	5	345	1,932,000
10	Colo., Mont.	2	83	789,000
11	Ore., Wash.	3	410	3,618,000
12	N. M.	1	74	204,000

Drought Spreads

Despite helpful rains in some places, blistering sun extends area of ruin. But latest mail-order sales high.

RAINS fell over the Corn Belt this week but parched fields soaked up the moisture at such an unbelievable rate that little ever reached the roots of the wilting plants. And the cooler weather, which gave promise of relief the first of the week, yielded once more to clear skies and blistering sun.

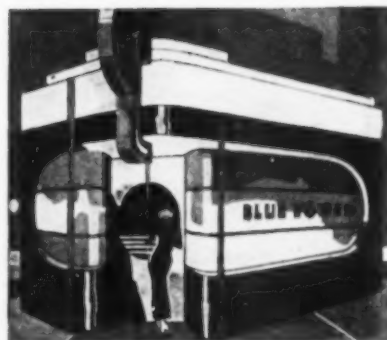
Yet the brief respite gave new hope to most of Iowa, Illinois, Wisconsin, and Indiana where crops have not already deteriorated beyond hope. Meanwhile drought ravages spread in Nebraska, Kansas, Oklahoma and parts of Missouri and Arkansas where hundreds

of corn and truck crop fields are a total loss and hundreds more will yield but little, even with ample rainfall from now on. And a heat wave was reported on the Pacific Coast.

Supporting pessimistic reports on crop prospects is the Department of Agriculture's Bureau of Economics. Basing observations on pasture conditions July 15, the bureau finds much of the Corn Belt harder hit than in 1934, other crop areas as badly off.

Nevertheless, the situation was not without its hopeful aspects. Iowa, for example, expects to harvest a 90% corn crop on about half the state's acreage if rainfall is normal for the rest of the season. While this, in combination with crop news from other states, would indicate a 1936 yield considerably below the government's July 1 condition estimate of 2,244,000,000 bu., it may still suffice for most domestic needs. On the other hand, canners and refiners of corn products, after dropping out of the market entirely, have reentered with prices marked up. Moreover, they are disinclined to book much forward business, even at the advanced quotations.

So far have the ravages of drought gone that spring wheat no longer even captures space in the newspaper headlines in most parts of the country, except for mention of relief activities in the stricken areas. These latter have expanded until the Works Progress Administration has made arrangements to employ about 70,000 heads of families in the Northwest instead of the original 55,000. Sec. Wallace and Resettlement Administrator Tugwell remain at the scene with the latter still actively engaged in negotiations to save livestock as the brown wastes, which once were pasture, spread. RA officials also are busy on details of the long-range plan



Today's Trend in STOREFRONT CONSTRUCTION PORCELIRON

Combines the strength and rigidity of steel with the permanence and beauty of vitreous porcelain—in a range of color beauty and permanence unapproached by any other storefront finishing material. Porceliron is ideal for ultra-modern gas service stations, dairy and food stores, fashion shops, restaurants, theatres, cocktail bars, drug stores, chain stores, etc. Write for detailed information.

**INGRAM-RICHARDSON
MANUFACTURING CO.**
BEAVER FALLS, PA.



I met her on
THE GEORGE WASHINGTON

Sleep like  a Kitten
ON
CHESAPEAKE
AND *Ohio*
LINES

for moving North Dakota's drought area farmers into the Red River Valley, although the program is hampered by lack of funds—only \$85,500,000 has been allotted to the administration but WPA may step into the breach.

The spring wheat crisis is heightened by sensational drought damage reports from Canada's prairie provinces where a once promising crop now has deteriorated seriously and in some areas is beyond salvage. With estimates of smaller crop carryover in the Dominion as well as the United States, there is increasing talk of a tight world situation if Europe's reserves are very low.

And damage is being reported in still

another line which had not been much affected until recently—sugar beets.

Farm purchasing power remains a moot question, as the drought area spreads, but there still was a good backlog there as late as the middle of this month. This was indicated by Sears, Roebuck's sales for the four weeks ended July 16 which were \$39,841,752, up 32½% from the like period a year ago to score the best percentage increase for the year to date. Another indication that the mail-order companies are not dismayed comes from Montgomery Ward which announces the largest fall catalogue since 1921—800 pages—which will go to 7,000,000 families.

Gaumont lot. This will result in pictures good enough to be distributed to our discerning cinema fans at a profit. Such pictures will, of course, be listed against British quota requirements.

Besides being Britain's biggest producer, Gaumont controls over 400 theaters, owns radio, sound reproduction, and television patents.

The above glad tidings are hardly typical of our most emotional industry. Paramount is currently unhappy. After receiving a \$50,000 report from Joseph P. Kennedy advising the election of a picture producer as president, Paramount went right ahead and elected Barney Balaban, a theater man, to the post. The Kennedy diagnosis talked like a Dutch uncle, demanding a "drastic and courageous revision of management."

Simple Recipe

He pointed out that while competing companies were making money, and Paramount theaters showed a profit, the company continued to put out films that flopped. Disruption of studio and headquarters personnel was said to be at the bottom of it all. Reduction in executive overhead was advised. Boiled down to three words, Mr. Kennedy's high-priced recipe was:

"Make good pictures."

Paramount has since lost a valuable asset in the blue-eyed flapper excitant, Gary Cooper. Ten years ago Samuel Goldwyn (now head of the Goldwyn Co.) picked Cooper from a herd of extras, gave him his first lift toward stardom. Since 1926 Cooper has been under contract to Paramount but it is

Movie Amalgamation

While Paramount troubles continue, the adroit Schenck brothers make a deal with Gaumont-British, leading to advantages here and abroad.

AN increase in the international exchange of heartbeats is expected as a result of this week's announcement of a long-pending deal between Gaumont-British on one side, 20th Century-Fox and Metro-Goldwyn-Mayer on the other. The Hollywood film companies probably will have unofficial domination of this, the biggest British producer, while actual stock control will remain English.

The arrangement will prevent any outcry of "American penetration," and is expected to give the Hollywood concerns great advantages both here and abroad. It will simplify production of pictures which the American companies must make in England under the quota system (it requires about one British-made picture for every five or six accepted from Hollywood). Merging of distribution offices and other agreements will mean a great savings for all.

Four Astute Men

The deal was engineered by the Schenck brothers (Joseph and Nicholas) with Gaumont-British's Ostrer brothers (Isadore and Mark). Hollywood rates the Schencks as about the smartest men in the business and the Ostrer brothers are far from dumb. The high esteem in which the Schencks are held leads observers to assert that the combine is entirely for the sake of the companies involved, not for personal speculative reasons.

By taking in the much battered Fox Film concern with his young and thriving 20th Century (*BW*—Aug 24 '35, p. 18), Joseph Schenck acquired 49% of the British holding company controlling Gaumont. He induced his brother, who is president of prosperous Metro, to absorb half these holdings at "less than their real value." It is understood that the new set-up involves creation of an-

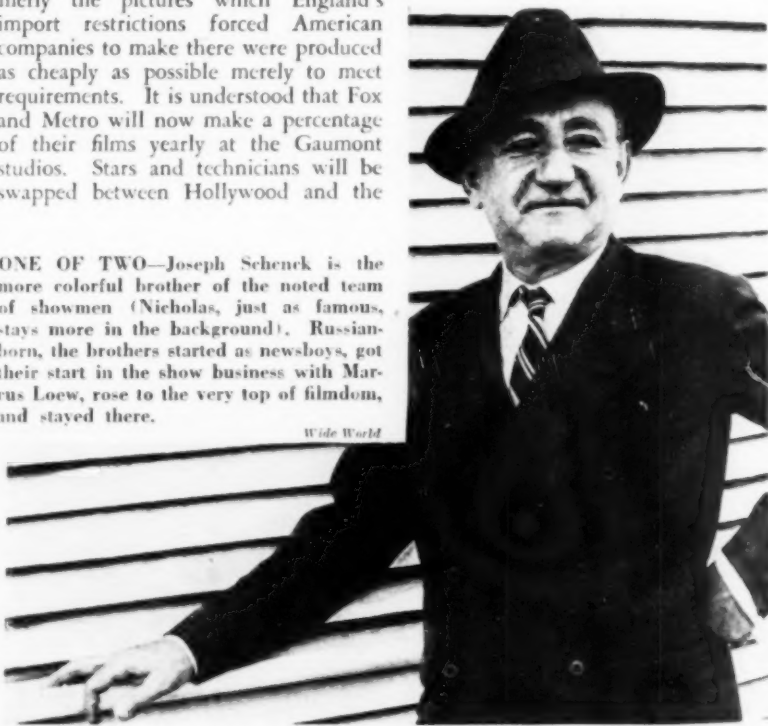
other British holding company to control Gaumont. In this the Schencks will have about 20% of the stock each, and the remaining 60% will go to the Ostrers and the British public. Ratification by the three boards of directors is expected within a month.

After consummation, Gaumont's pictures will be distributed here and in other non-British countries by Metro and Fox. In Great Britain Gaumont, Fox, and Metro will combine their selling organizations.

The Schencks feel they have solved the "quota picture" problem. Formerly the pictures which England's import restrictions forced American companies to make there were produced as cheaply as possible merely to meet requirements. It is understood that Fox and Metro will now make a percentage of their films yearly at the Gaumont studios. Stars and technicians will be swapped between Hollywood and the

ONE OF TWO—Joseph Schenck is the more colorful brother of the noted team of showmen (Nicholas, just as famous, stays more in the background). Russian-born, the brothers started as newsboys, got their start in the show business with Marcus Loew, rose to the very top of filmdom, and stayed there.

Wide World



More Second-Quarter Earnings

(In thousands—000 omitted)

Company	1935	1936	% Change
Acme Steel.....	\$333	\$514	+54
American Chicle....	698	793	+14
American Telephone & Telegraph**....	28,874	36,832	+28
Atlantic Refining....	384	1,157	+201
Beech-Nut Packing..	441	597	+36
Byron Jackson.....	112	313	+178
Caterpillar Tractor..	1,823	2,544	+40
Checker Cab Mfg....	d111	381	†
Corn Products Refining.....	1,747	2,554	+46
General Electric....	6,150	9,505	+55
General Foods.....	2,501	2,777	+11
Gulf States Steel....	d67	111	†
Houdaille-Hershey..	871	1,011	+16
Interlake Iron.....	d345	d49	‡
International Cement	339	747	+120
Johns-Manville.....	551	1,298	+135
Kimberly-Clark....	296	355	+20
Libbey-Owens-Ford..	2,065	3,106	+50
MacAndrews & Forbes.....	239	202	-15
Magma Copper.....	165	408	+148
Pittsburgh Screw & Bolt.....	d1	336	†
Pittsburgh Terminal Coal.....	d134	d139	‡
Superheater.....	162	325	+100
Texas Gulf Sulphur..	1,914	2,662	+39
Underwood Elliott Fisher.....	751	658	-12
United Corp.....	2,147	2,539	+18
United Fruit.....	2,300	4,228	+84
Walker (Hiram)-Gooderham & W.*	913	1,339	+47
Westinghouse.....	3,939	4,206	+7
Young (L. A.) Spring & Wire.....	547	739	+35

d-Deficit. *Quarter ended May. †Loss to profit. ‡Loss reduced. †Loss increased. **Parent company only.

Business Week

SPECTACULAR SHOWING—Additional earnings statements continue to reflect substantial improvement. First 110 industrial corporations report a rise of 38% for the six months over last year. Second-quarter gains more than offset declines in public utility earnings during first quarter. (In most instances, no provision has been made by these companies for federal tax on undistributed earnings.)

said that he always wanted to repay Goldwyn for giving him a chance. Recently Goldwyn made a "star raid" and signed Cooper away from Paramount.

Now Paramount sues Goldwyn, asking \$4,000,000 "actual" and \$1,000,000 "punitive" damages. It is said that Cooper got over \$100,000 per picture from Paramount.

Florida's Summer Bid

HAVING clinched her position as a winter playground, Florida is wondering whether she can't develop a summer tourist crop. The idea was suggested by Miami when they noted that their palm-shaded city was cooler than Northern localities during the recent heat wave. An advertising expert will try to sell Gov. Sholtz on a campaign in Northern cities and in Europe.

Build in a Counter to Build up Sales



When a prospect asks, "What can we expect from your machine?" you can tell him exactly—quote actual performance figures that can't be questioned—if your machines are equipped with built-in Veeder-Root Counters. Builders of elevators, typewriters, tractors, presses, trucks and many other products are increasing sales with

counters...and so can you. There are Veeder-Root devices for measuring and recording speeds, lengths, volumes...for counting pieces, operations, trips, starts and stops...for making permanent records and printing receipts. Let's get together. Veeder-Root engineers will work with you in strictest confidence. Write us today.

VEEDER-ROOT, Inc.
HARTFORD, CONNECTICUT, U. S. A.

Shirt-sleeved Research

The word "Research" suggests glistening laboratories, microscopes, test tubes, white coats.

But Research, to be resultful, must go beyond the laboratory—out into the plants where products and processes must be proven in practice.

This requires a staff of practical engineers who can roll up their sleeves and convert laboratory findings into production benefits...men who can take over a job under actual working

conditions...men who know how to belt a drive, make a lubrication survey, soak silk, size cotton or rayon, or run a heat-treating bath.

Houghton Men are that kind; they're proving daily the ideas born in our laboratory. That's why industry so often exclaims, "Let's ask Houghton!"

E. F. HOUGHTON & CO.
Main Office — 240 W. Somerset St.
Philadelphia, Pa.
Plants — Chicago, Philadelphia, Detroit,
Toronto, Paris, Birmingham
(Eng.), Berlin and Genoa.

THE HOUGHTON LINE
OF INDUSTRIAL OILS AND LEATHERS

Paying Off the 33 Billions

That huge government debt is a charge on production. What are the assets offsetting it? What is net debt?

WHEN Sec. of the Treasury Morgenthau shut the books on the government's fiscal year, June 30, he posted the national debt at \$33,778,543,493.

Here is something that must be paid off—eventually—in one way or another. Interest amounts to \$750,000,000 annually. That sum, collected in taxes, is a definite charge against production. It enters into the selling price of goods, it is an inescapable burden on labor as well as capital.

Further, business, as the chief source of government revenues, has in effect guaranteed the payment of interest and principal on Home Owners' Loan Corp. and Federal Farm Mortgage Corp. bonds. Shove that into the total and the liability of American citizens—on government account—leaps to 38½ billions.

Yet, when that's been said, the worst has been said—unless federal expenditures continue to mount inordinately. Against the huge debt, the government has assets. These are offsets and Sec. Morgenthau, in discussing federal finances, recurs to them frequently. They are the one big bright spot.

But trying to figure these assets is something else again. That is largely because the government is the world's worst banker and the world's most lenient investor.

Priming, Pro and Con

Recently Uncle Sam has been interested in priming the pump of recovery—which means all things to all men. And the result is assets, which also mean all things to all men. To an ardent New Dealer, these assets may be scored in two ways: as a definite contribution to business improvement, and therefore invaluable; and as an investment which will turn out satisfactorily.

The government has an interest in an agency; that interest is worth something. But what? Sec. Morgenthau sets the interest down as the excess of assets over liabilities. Which is a strict book-keeping way of doing it. But any corporation official who has tried to sell a plant at book value has found that that will get him nowhere in the open market.

The government, of course, does not intend to sell its Federal Land Banks, or turn over the Reconstruction Finance Corp. to private capitalists, or liquidate the Federal Deposit Insurance Corp.—even assuming it could discover buyers. Most of the government agencies are long-term propositions; to have, to hold, but seldom to make pay.

It started under Hoover (with the RFC) and it has been ballooned under Roosevelt, this business of putting the

government in the field of serving agriculture and industry. Originally it was emergency, but now it seems perennial. And it is on that basis that the operations of federal corporations must be assayed.

As of May 31, Uncle Sam listed his proprietary assets at \$4,295,146,500. Part of that will definitely be recoverable. The RFC, for instance, is carried on the books at \$1,877,182,600. Jesse H. Jones, RFC chairman, estimates that the corporation has a surplus. RFC's business usually has been confined to well-secured loans to industry and railroads. Some will go sour; but most are

likely to prove satisfactory. Thus, the RFC can be taken in at stated value. So can the Commodity Credit Corp., which is a revolving fund to make loans on agricultural produce. These are highly liquid agencies. They could be dismantled within a reasonable time, and at some future date the government may conclude that they have outlived their emergency functions.

Agencies in this category are six (see tabulation); the total proprietary interest of the government in them is \$2,343,100,000, and that sum—more or less—should eventually be realized, unless the Treasury diverts repayments to irrecoverable projects.

Next comes the doubtful group. *Business Week* assigns seven agencies to this limbo. These are long-term improvement projects, sociological in intention rather than toward a business

What Uncle Sam Has in His Sock

Proprietary Interest in Federal Corporations and Agencies, as of May 31, 1936—Classified as to Probable Recoverability

Probably Recoverable

Reconstruction Finance Corp.....	\$1,877,182,600
Commodity Credit Corp.....	257,219,800
Export-Import Banks.....	18,353,500
Public Works Administration (advances)...	144,248,300
Federal Housing Administration.....	30,575,500
RFC Mortgage Co.....	15,519,000
	<hr/> \$2,343,098,700

Of Doubtful Recoverability

Resettlement Administration.....	69,544,600
Electric Home & Farm Authority.....	842,300
Rural Electrification Administration.....	508,400
Tennessee Valley Authority.....	99,704,000
Tenn. Valley Ass'n. Cooperatives, Inc.....	299,000
Federal Prisons Industries, Inc.....	5,013,700
Inland Waterways Corp.....	24,394,200
	<hr/> 200,306,200

Essentially Capital Advances, or Indirect Subsidies; Therefore Doubtful

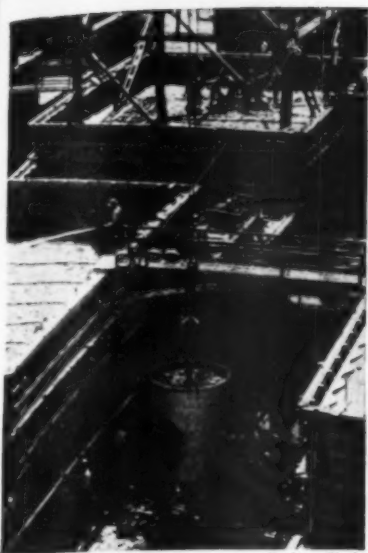
Regional Agricultural Credit Corps	41,417,800
Production Credit Corps.....	121,365,400
Federal Land Banks.....	254,527,500
Federal Intermediate Credit Banks.....	102,594,000
Federal Farm Mortgage Corp.....	202,168,100
Farm Credit Administration.....	171,323,700
Banks for Cooperatives.....	149,853,300
Home Loan Banks	98,742,300
Home Owners' Loan Corp.....	22,366,400
Federal Savings & Loan Insurance Corp.....	103,521,200
Federal Savings & Loan Associations.....	94,241,100
Federal Deposit Insurance Corp.....	150,000,000
	<hr/> 1,512,120,800

Pre-depression Assets, Still in Liquidation and Partly Recoverable

War Emergency Corp. & Agencies.....	9,593,200
War Finance Corp.....	70,200
Loans to Railroads (pre-war and post-war)...	30,867,400
Panama Railroad Co.....	42,772,700
U. S. Shipping Board Merchant Fleet Corp...	156,317,300
	<hr/> 239,620,800

GRAND TOTAL \$4,295,146,500

Business Week



Business Week

NORTHWEST'S PRIDE—Grand Coulee dam, gigantic federal project in the Columbia River basin, goes steadily ahead. More than 6,000 cu.yd. of concrete are being poured each day for the west abutment, with girders for placing trestles imbedded in the mixture. The bucket shown here holds four cu.yd.

like objective. Anything left over, after they are wound up, will be gravy. The total here is \$200,300,000.

Group No. 3 is the sticker. Here have been included corporations and agencies which have become or seem destined to become part and parcel of our economic system: the Federal Savings & Loan Insurance Corp., the Federal Land Banks, the Federal Deposit Insurance Corp., and so on. Government money in them may be good; it may not be good, but it is unlikely that the federal funds will be withdrawn for a long time to come—if ever.

These agencies are of the service type—supplementary to private capital catering to the needs of agriculture, home owners, and depositors in banks and savings and loan institutions. To an extent, through them, the government is rendering a permanent service.

Hence, even though the government investment may prove to be sound, it is in the nature of a subsidy, unlikely to be withdrawn. To the extent that Uncle Sam receives interest on his capital, the investment may be classified as good. But as an asset to offset the huge debt, these commitments hardly measure up to a certified accountant's standards.

Finally, there is a fourth group—inherited assets. These date back many years: largely war and post-war. War Emergency Corp. and War Finance Corp., for example, are inactive. They are being liquidated. Likewise the Shipping Board and pre-war and post-war loans to railroads (page 17). The Panama Railroad Co. is still operating railroads and steamships. It was part of the Panama Canal development.

The investment in this group, amounting to \$239,620,800, will yield possibly more than half. Major loss is likely to result from the U. S. Shipping Board Merchant Fleet Corp., a strict subsidy proposition for national defense.

Now, in addition to investments, Uncle Sam has other assets in his sock. There is the \$1,800,000,000 stabilization fund. It is a mystery. What it has done is a secret. Purpose was to keep the dollar steady in the foreign exchange market. Whether the Treasury has lost or profited is unknown.

Plus General Fund

Then there is the general fund. That is what the government works with. It includes cash on hand and in banks, gold, silver and funds held in other countries. The net balance, on June 30, was \$2,681,510,203.

Thus the government inventory reveals the following presumably recoverable assets to offset the \$33,778,543,493 debt:

Group I	\$2,343,098,700
Group IV (estimated) ..	150,000,000
Stabilization Fund	1,800,000,000
General Fund	2,681,510,200

Total Debt Offset

Unfortunately, more woe comes. There is the item of bonus money. As of June 30, \$564,000,000 still was needed to complete the adjusted service compensation payoff.

Further, the general fund is not to be regarded as "free." At \$2,681,000,000 it is overly large—much more than the government normally needs as working capital. But Uncle Sam needs till money for day-in and day-out expenses. That would be, say, \$1,000,000,000.

Thus, the federal inventory of assets looks like this: Total debt offset, \$6,974,608,000, from which are to be subtracted (a) \$564,000,000 future bonus requirements and (b) \$1,000,000,000 for working capital in the general fund. And that leaves \$5,410,608,000 as a maximum offset.

Giving Uncle Sam the benefit of all doubts (by the above method), final debt figures would resolve as follows:

Debt, June 30, 1936...\$33,778,543,493
Offsets*

Net Debt

*Recoverable assets (see tabulation) as of May 31, 1936.

And then, into account must be taken the contingent liabilities—part of which may boomerang at the taxpayers. These contingent outlays, represented by bonds issued by federal agencies and guaranteed by the government, amount to \$4,743,000,000.

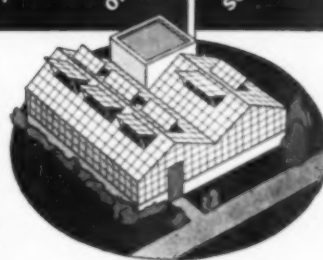
Thus, in recapitulation, the federal net debt is \$28,367,934,593 and contingent liabilities are \$4,743,000,000—pre-election talk notwithstanding.

KOPPERS AND THE Insecticide INDUSTRY



Koppers supplies the insecticide industry with large quantities of naphthalene for the manufacture of moth balls and moth flakes. This material is also used as an insecticide for gardens and greenhouses and for cattle bedding. Koppers creosote and creosote-coal tar solutions are most effective materials for preventing the destruction of wood by termites and other wood destroying agents, such as marine borers and fungi. Other Koppers materials are used in the manufacture of cattle dips and cattle sprays, poultry insecticides and in the manufacture of special insecticides, such as paradichlorobenzene.

KOPPERS PRODUCTS CO.
PITTSBURGH, PENNSYLVANIA



1. Tarmac for Roads
2. Roofing Materials
3. Waterproofing Materials
4. Bituminous Paints
5. Creosote for Wood Preservation
6. Light Oils
7. Tar Acids
8. Cool Tar Pitches

Troubled Liquor Outlook

Overproduction brings all-time high in warehoused whiskies. National Distillers announces ethical advertising creed to avert prohibition.

SINCE last week's meeting of the National Conference of State Liquor Administrators at Providence, R. I., the industry has been excitedly discussing an advertising plan calculated to allay dry resentment and prevent the present ripples of prohibition from piling up into another tidal wave. The program was proposed by Ernest C. Kennedy, of National Distillers.

It would prevent (among other things) the use in advertising of illustrations of women, youths, symbols of national holidays (such as Santa Claus and Easter rabbits), military officers, ships' officers, engineers, aviators, or others responsible for human lives. Liquor advertising would be barred from all school periodicals, Sunday publications, religious papers, radio. It would abolish drinking scenes from sales promotion excepting those in fitting surroundings with decorous figures. Also, there would be a ban on misleading or provocative slogans.

The suggestions are designed to subdue criticisms that have been made against the volume and certain types of liquor ads. Mr. Kennedy pointed out that the Federal Alcohol Administration lacks authority to enforce such rules. He urges their adoption by state control agencies, which could make them effective.

Valid Objection Raised

The general idea of the 14 points is embodied in a proposed code under consideration by the Distilled Spirits Institute. Naturally, many distillers object to such ethical bonds when competing stimulants are left entirely free.

The Federal Alcohol Administration blesses any plan for ethical betterment in its ebullient industry. It can now view such problems from a fixed administrative point. The original independent control body went by the board with the Schechter (anti-NRA) decision. Congress, ever on the lookout for the patronage and political privileges of its members, wanted the administration under a cabinet officer so that standard rules of applying pressure could be employed. Against the vociferous disapproval of Treasury Secretary Morgenthau and presidential opposition, the revised FAA was put in the Treasury Department. However, Mr. Roosevelt nursed his objections along and in the last Congress he got his way. The FAA is once more an independent agency and it has plenty to occupy its mind.

For one thing overproduction has caught up with the industry. The last

official report marked an all-time high in warehoused whiskies. On May 31 there were 281,000,000 gal. of whiskey in bonded warehouses; today there are probably above 300,000,000. Previous high was 278,000,000 in June, 1914. Accumulation continues at a dizzy rate. May saw a record output of 22,000,000 gal. of which 17,000,000 was added to stocks. An ominous outlook is further darkened by the announcement that in April there were 40 new distilleries.

Price Cuts Loom

Although the amount now in warehouses is not considered excessive, the speed of continuing accumulation is out of all proportion to the increase in consumption. Since whisky must stay in wood four years to rate as bonded, the weight of the overhang will become more crushing as age accumulates. Prices in so competitive a business are highly volatile. The trade is discussing the possibility of \$2-per-quart four-year-old whisky.

Shifts in the whisky business since prohibition have been vital. Formerly production was principally by small concerns which were only manufacturers. Rectifiers were the merchandisers. As soon as possible after the liquor was made, the distiller sold warehouse receipts. This relieved him of the financial burden of carrying stocks through the four-year ageing. Now liquor is supplied mainly by a few large concerns which manufacture full lines, carry ageing stocks, merchandise their products. (Total investment in liquor plant is estimated at \$500,000,000 against about \$100,000,000 before prohibition.)

Little Fellow on Spot

The big fellows probably will be able to finance the ageing of stocks with little trouble. But the small-timer had better watch his step. Restrictions have limited the market for warehouse receipts, and bank loans will come harder as mounting supplies depress the prices of stocks.

As ever-articulate Congressman Sol Bloom says, "The distillers of the United States should recognize that if they do not change their methods they are heading for economic disaster, with the attending evils which always come when merchandise is sacrificed and there is a scramble by terrified producers to get rid of goods at any price." The liquor companies would be much obliged if Mr. Bloom would show a way out.

The pencil men of the industry figure

How the Brands Stand in Ohio

Total retail sales of leading brands under Ohio Liquor Control System in 1935. Data compiled for Scripps-Howard newspapers.

Brand and Vendor	Cost per Quart*	Number of Quarts
Straight Bourbon		
Windsor (National)...	\$1.68	752,593
Cream of Kentucky (Schenley)	1.74	674,617
Two Naturals (Glenmore)	1.54	649,570
Crab Orchard (National)	1.75	484,671
Meadwood (American)	1.65	416,519
Bourbon Blends—Straight		
Four Roses (Frankfort)	2.91	125,039
Old Oscar Pepper (Frankfort)	2.11	80,772
Tom Hardy (Glenmore)	2.06	42,974
Bourbon Blends—Spirits		
Brigadier (National)	1.47	595,178
Seagram's 3 Crown (Seagram)	2.06	256,932
Seagram's 7 Crown (Seagram)	2.58	229,123
Briarcliff (American)	1.58	200,908
Buckeye State (American)	1.80	155,738
Bourbon—Bottled in Bond		
Seagram's (Seagram)	3.67	21,784
Bond and Lillard (National)	4.50	15,036
Walker's de Luxe (Hiram Walker) ..	3.56	7,609
Straight Rye		
Old Quaker (Schenley)	1.68	762,495
Town Tavern (National)	1.68	441,368
Rittenhouse (Continental)	1.69	545,487
Rye Blends—Straight		
Golden Wedding (Schenley)	2.34	64,735
Paul Jones (Frankfort)	2.58	32,337
P & T Private Stock (Park & Tilford) ..	3.22	8,884
Rye Blends—Spirits		
Sweepstakes (Continental)	1.65	54,116
Old Treasure (Continental)	1.65	33,554
Rye—Bottled in Bond		
Seagram's V.O.	3.74	38,202
Seagram's Ancient Bottle	3.67	18,610
Old Overholt (National)	4.00	17,916
Scotch		
Blue Seal (Chas. Muirhead & Sons)	3.50	21,558
Teacher's (Schieffelin)	3.04	19,241
Var 69 (Park & Tilford)	3.09	13,533
Dry Gin		
Cavalier (Continental)	1.25	261,047
Walker's 5 o'clock (Hiram Walker)	1.28	201,827
Dixie Belle (Continental)	1.50	149,185

*No average retail price figures are available for the year 1935. Prices are those quoted as of May, 1936, excepting that for Continental Distilling's Sweepstakes brand, not listed in May by the Ohio Liquor Control System.

†Not sold in quarts. Price computed on basis of list price of a fifth.

adequate needs of the country at 500,000,000 gal. in the warehouses, though some improvement is expected in legal consumption which was just under 1 gal. per capita last year or 58% less than preprohibition.

Despite claims from Washington that bootlegging has diminished to "a mere trickle," realists estimate that 40% of national consumption still is from illicit sources. In fact the Treasury Department admits the continuing seriousness of the problem by announcing recently the addition of 185 men to its force of 4,000 investigators.

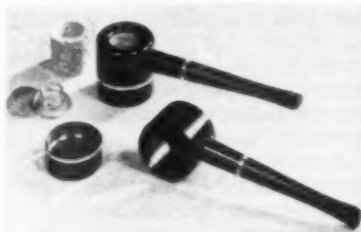
New Products

New things, new designs, new packages, new manufacturing and marketing methods.

In asking further information on new products or submitting data on newer ones, address *Business Week's* Chicago offices—520 N. Michigan Ave.

ENTOSTAT is a new electrical fly-killer announced by the C. E. Canning Co. It was particularly designed for use in food stores, bakeries, and restaurants, may be plugged into any A.C. current, requires no bait, and is represented as being harmless to humans. It is equipped with an electric lamp which may be turned on at nights, serving the dual purpose of a night light and attracting night-flying insects.

THE Phoenix-American Pipe Works offer devotees of the corncob pipe a new model which combines all the traditional advantages of a corncob smoke with the appearance of a conventional pipe of underslung design. Bowl and stem of the new model are



made of molded plastic and the bowl is in two separable parts, permitting the insertion of a corncob core. To further promote a cool, dry smoke the bottom of the bowl has a metal filter.

THE Winchester Repeating Arms Co. now supplies dry-cell batteries for flashlights and other uses, which have top seals that are made of molded plastic. This new feature is said to eliminate corrosion, protect contact points, and prolong the life of the battery.

THE Shaw-Walker Co. announces the Fire-File which is a standard size, four-drawer filing cabinet made of heavy steel and reinforced, monolithic insulation. It is represented as providing at a low price exceptional protection against fire, its contents being safe from a fire for 30 minutes at temperatures up to 1,500 degrees Fahrenheit.

THE Archer Electric Co. offers the Sim-X Clamp for quicker and easier installation of switchboxes. It consists of a detachable clamp which slips under the ears of any standard switchbox and is said to be suitable for use on wood lath, metal lath, beaver board.

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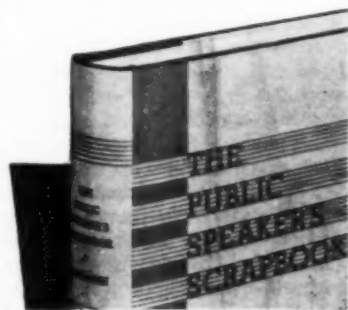
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Brewery Disunion

U. S. Brewers' Association kills August Busch's proposal for a united front.

THERE is to be no united beer front, for the present at least. On July 17 Col. Jacob Ruppert, president of the United States Brewers' Association, announced that his organization would remain independent. His directors had voted against any combination "at this time." They declined to submerge the identity of "the largest and senior association of brewers" in an untried organization without assurance of proper financing and management.

Here was an unequivocal retort to August Busch, who started Brewing Industry, Inc., last spring (*BW*—Apr 4-'36 p14). Mr. Busch got together several of the national-distribution brewers for the announced purpose of forming a single organization to combat the dries. The Ruppert brewery, though the largest in the country, is not a national distributor, but does its main business in the New York area. The third large organization in the field is the American Brewers' Association.

Division of sentiment was evident during the last Congress. Sen. Clark (of Missouri where Anheuser-Busch is made) asked for an amendment to the tax bill that would have permitted bulk shipment of beer in tank cars. The proposal was broadened by Sen. La Follette (of Wisconsin where Schlitz and Pabst are made). This would have given the big brewers low freight rates and enabled them to sell in closer competition with small local brewers. There was a storm of protest and the amendments were hastily killed. Members of Brewing Industry, Inc., would have profited by such a provision. Sentiment among members of the U. S. Brewers and American Brewers was generally opposed to the idea.

Need Cheaper Homes

FHA warns building and real estate industries to provide homes under \$3,000.

WASHINGTON (*Business Week Bureau*)—On the heels of a declaration by Sec. Roper's Business Advisory Council against subsidized housing construction comes a warning from the Federal Housing Administration this week that real estate dealers and operative builders are overshooting their market. Too many, asserts FHA, are building houses which sell, exclusive of land cost, at over \$3,000. Until homes are built costing from \$1,200 to \$3,000 the housing shortage will continue acute, says FHA, real estate and building operations will

not gain their full momentum, and the mass market will remain untouched.

Whether the housing market is analyzed in the light of family income data or rental data, the results, as interpreted by FHA, are practically the same: over half the market is being neglected and the entire industry is competing for a small portion of the total market. FHA's pointed conclusion is that until houses are built that people can buy, rather than the kind that the industry likes to build, complete recovery is not in sight.

Hugh Potter, of Houston, past president, told the National Association of Real Estate Boards in Chicago this week that there is a genuine need for a million new housing units, that considerable progress is being made in home building, but that prices are still increasing beyond people's ability to pay.

The policy of Roper's committee is that assistance to low-income families should take the form of a rental subsidy, administered by local authorities, and that house financing and construction should be left in private hands.

Low Cost Means Low Cost

Quizzed concerning the scale of rents fixed, with the benefit of a 45% subsidy, for Techwood, Atlanta, the first Public Works Administration housing project to be completed (*BW*—Jul 11 '36, p36) Administrator Ickes conceded that nothing is really low-cost housing that doesn't accommodate the lowest income groups. Confronted by the fact that \$16.40 per month, the lowest base rent for a Techwood apartment, represents 28% of a \$700 annual income and 38% when a monthly allowance of \$5.95 is made for heat, hot water, cooking, and refrigeration, Ickes said:

"The answer may be a greater subsidy. The whole thing is very experimental. We may revise our ideas radically when we have actual facts. We are not satisfied that we have low-cost housing. We don't know yet. Techwood, at least, demonstrates that there

has to be a subsidy to give adequate housing to people who need it."

The Wagner housing subsidy bill will bob up again in the next Congress with assurance from Matthew Woll, American Federation of Labor vice president, of the solid support of organized labor.

Borrow to Modernize

\$30,000,000 in loans have been insured by FHA. Industries are main borrowers.

WASHINGTON (*Business Week Bureau*)—Since the Federal Housing Administration's limit on loans for modernization of industrial and commercial property was raised from \$2,000 to \$50,000 a year ago, such insured loans have reached a total of \$30,000,000 (see table).

FHA-insured loans by banks and other lending institutions for industrial modernization of nearly \$10,000,000 represent one-third of the total. Out of this, \$7,000,000 has been put into plant machinery and equipment. Loans to retail stores and service trades run over \$9,000,000 of which \$3,700,000 has gone into equipment. Loans for other major types of improvements, including wholesale trades, hotels, apartment houses, and office buildings, commercial farm property, and professional offices, amount to \$11,500,000.

Practically half of the \$30,000,000 borrowed in the high brackets of FHA's insured-credit plan has been put into machinery and equipment, a total of \$14,800,000. The balance has been spent in building alterations and repairs.

The amendment to the National Housing Act which raised the limit for insurable loans on industrial and commercial property was passed by Congress May 28 and went into operation July 1, 1935. FHA itself loans no money but insures banks against losses up to 10% of their total loans on FHA terms.

\$30,000,000 for Commercial Modernization Eleven Months of FHA Assistance to Small Business—Where the Money Went, and for What

Type of Property Improved	Alterations or Repairs		Machinery and Equipment		Total Modernization and Repairs	
	Amount	% of Total Insured	Amount	% of Total Insured	Amount	% of Total Insured
Industrial.....	\$3,021,274	9.8	\$6,942,685	22.5	\$9,963,959	32.3
Retail store and service trades.	5,480,937	17.8	3,768,747	12.2	9,249,684	30.0
Commercial (other than retail)	3,825,749	12.4	2,850,175	9.3	6,675,924	21.7
Multiple residential.....	2,786,013	9.0	595,816	2.0	3,381,829	11.0
Institutional.....	357,679	1.2	231,123	.7	588,802	1.9
Commercial farm property...	235,073	.8	352,610	1.1	587,683	1.9
All other property*.....	217,463	.7	139,027	.5	356,490	1.2
TOTALS.....	\$15,924,188	51.7%	\$14,880,183	48.3%	\$30,804,371	100.0%

*Including professional offices in dwellings.

Business Week

Japan's Iron Hand on Business

Government keeps on extending control, and both native and foreign interests are worried. Oil and auto regulations affect Americans.

BUSINESS in Japan and abroad is worried over continued moves by the Tokyo government to bring industry under national control.

The Tokyo Stock Exchange (Japan's "Big Board") was forced to close one day this week when the price for its shares collapsed. A newspaper had published a rumor that the Finance Ministry would ban bank loans for the financing of speculative buying, and raise margins to 60%. Such a reform would be in line with the government's policy of bringing all branches of industry and finance under its control. The public was unloading stock exchange shares because it believed the government might make such a move.

The Japanese utilities are worried. There are five big companies which dominate the electric power industry of the empire. They have been encouraged by the government to absorb small units in their operating territory. But within the last six months there has been a new wave of official and public propaganda urging the government to take over control of the industry. Plans vary. Some urge only that generating units and power lines come under government control, with private industry handling the ultimate retailing of the power. Others favor government control through the distributing end. Both contemplate national regulation of rates, and of dividends to stockholders. It is expected that a commission will be appointed this fall to study the problem and formulate a plan. Foreign bondholders of the big power companies are assured unofficially that their interests will be protected by a government guarantee covering all outstanding obligations.

Oil Companies Balk

Americans are more directly involved in control measures which have already been passed affecting the petroleum and automobile industries. For more than a year, there has been a law in Japan demanding that the big oil distributing companies provide storage tanks and a six months' supply of oil in the country. Since Japan supplies a bare 10% of its oil requirements from empire-controlled sources, this was considered a defense necessity. So far, the big foreign oil companies have refused to meet the storage requirements because of the expense.

Tokyo is helpless in trying to enforce the law because the Japanese hold almost no oil resources abroad. A national oil monopoly has been estab-

lished in Manchukuo by the Japanese. As soon as the government feels able to handle the situation, this is probably what will be done at home. But adequate supplies of oil for industry and the navy must be assured first.

In the short session of parliament this spring, the automobile industry was brought under government control. Both Ford and General Motors have assembly plants in Japan, and together they supply about 90% of the market. The new ruling allows them to continue at present capacity but puts the entire industry on a license basis, with Japanese companies given tax and parts import concessions.

Renault Hookup Rumored

Ford has never resumed the expansion plans announced more than a year ago just before the law was first framed. Rumors that General Motors will cooperate with one of the big Japanese companies are denied. But Nissan, largest Japanese producer, announced recently that it had bought equipment from Graham for its old six-cylinder line. Tokyo newspapers declare that a group of industrial leaders have virtually completed plans for building of six-cylinder, 40 hp. Renault-type automobiles in the country. French capital participation not exceeding 30%. The Mitsui interests claim they will be producing at the rate of 5,000 cars a year by the end of next year due to the protection provided by the new law. The importance to the American industry now is the fact that Japan is building a new empire in China where distances are great and population large. If this market is preserved for Japanese-made cars, it cuts the United States out of large potential sales in the future.

How far Japan will go in pushing domestic self-sufficiency in lines vital to national defense is indicated in the announcement of the Imperial Aeronautical Society a few days ago that it will provide a subsidy of ¥1,000 (about \$290) for the purchase of each plane powered with an engine of 50 hp. or less. The only Japanese plane in this category is the Flying Flea. With this subsidy, the price is reduced to about ¥2,600, or approximately the same as the cost of a Datsun, Japan's midget car introduced a few years ago. Third-class pilot's licenses can be obtained after only 10 hours of solo flying.

Japanese ship lines are cutting into the business of other flag lines in all parts of the world. An expansion pro-

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gram is under way now with the aid of a government subsidy which will increase Japan's commercial fleet by 2,000,000 tons to a total of 6,000,000 tons. This would compare with 12,852,000 tons in the United States, and 20,511,000 tons in Britain.

With the aid of a subsidy, Japanese vessels already account for 61% of the tonnage on the Yokohama-New York run, 79% on the Australia route, 12% on the European, and 79% on the India schedules. The Europe service is about to be expanded by the addition of six new and speedy motor vessels being built for Nippon Yusen Kaisha, one of Japan's two great shipping lines.

Osaka Shosen Kaisha, Japan's other great shipping line, has just added the *Canberra Maru* to its Australia run. With an average speed of 21 knots, it claims to be the fastest cargo vessel in the world, covers the distance to Sydney in 11 days—about half the time required by the ordinary freighter.

Big Japanese Firms Worried

Japanese industry is no less worried over the government invasion of the industrial field than foreign firms. Either voluntarily or under governmental pressure, Mitsui, Mitsubishi, and Sumitomo—three of the biggest banking and industrial interests in Japan—have just created a Fuel Resource Investigation and Exploitation Co., capitalized at ¥5,000,000. It is a non-profit organization established to help the government free the country from its dependence on foreign sources of supply. The big Japanese firms hope they will be allowed to develop whatever sources may be found.

One further move by the government indicates its determination to be prepared for any emergency. The Ministry of Commerce and Industry is preparing to establish a machine testing and research laboratory which will, on a cooperative basis, develop machinery for the use of key industries.

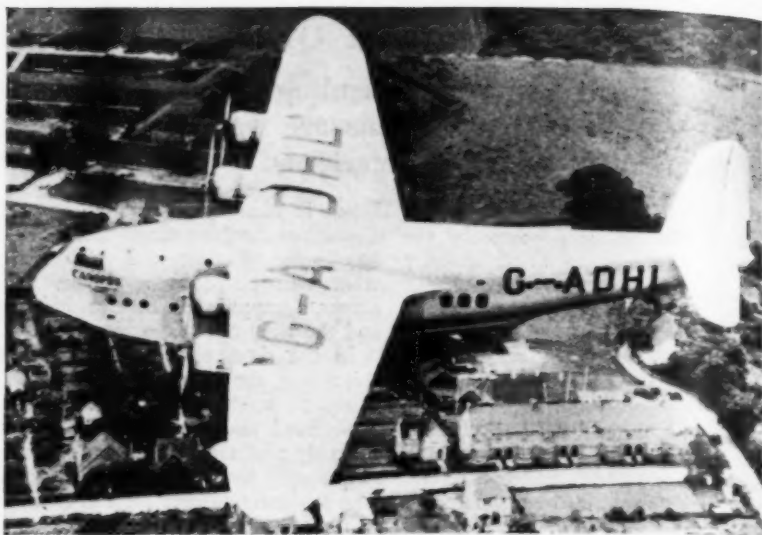
Dependent on raw materials from abroad, and on foreign markets for finished goods, Japan has found that it can bargain more effectively both as a buyer and a seller if it can combine its efforts. Foreigners dealing with the Nipponese will increasingly run up against this new bargaining power.

Cotton from Brazil

Estimates of its size are important to U. S. producers. Cost of growing it is low.

Is Brazil's cotton going to be a bigger factor on the world market than it was a year ago?

Probably not. The first official forecast of the crop in North Brazil has just been released and shows a drop of 3%



BRINGING BERMUDA CLOSER—Bermuda will be within 4½ hr. of New York when the British-American air service gets under way, according to plans of Imperial Airways and Pan American Airways. Planes from both countries will be used, the first British-built ship already having been ordered. It will be a duplicate of the *Canopus*, above, which has just been completed for the Britain-South Africa service. Imperial Airways will build 28 of these carriers, for the North Atlantic and Bermuda lines. Pan American is completing a new series of its flying clippers, at the Sikorsky plant in Bridgeport, Conn.

from last year. In the South, it is too early for any kind of estimate of the next crop, for planting in the Sao Paulo region begins in September, to be harvested by the following March.

In the crop year which ended this spring, Brazil grew 1,743,000 bales (our crop last year was 10,638,000 bales). This was an increase of more than 400,000 bales over the previous year, much of it from the South.

Brazil is a critical problem to the American producer for several reasons. Labor costs are exceedingly low—12¢ to 15¢ a day according to one authority. This means that the average cost of production in the rich Sao Paulo region is less than 5¢ a lb.

Where Brazil Can Sell

Germany and Japan, both big customers of the United States, are eager to buy from Brazil in order to sell their manufactured goods in that country on a reciprocal trade basis. Neither likes the less well standardized Brazilian cotton, but textile companies in both countries are equipped to handle the Brazilian product if necessary.

Cotton grows particularly well in the regions where coffee is now grown. There is a coffee surplus, and prices are low. This is tempting a lot of farmers to turn to cotton.

The New York market was startled a few weeks ago when a shipment of 1,000 bales of South Brazilian cotton reached this market. It was only a trial balloon, but it was able to compete price-wise in this market in the dull season between crops up here. Informed dealers add that it is time to watch cot-

tonseed oil imports. It is known that a firm from the United States has established one of the largest refineries in the world in the cotton region in Brazil. Its representative went down with the cotton brokers from New York and Houston who have flocked to Sao Paulo and opened offices, and with the processors who have brought down modern ginning equipment and set it up in every cotton-growing region in both the North and South Brazil fields. One Texas firm alone is said to have invested \$1,000,000.

Britain Buys More

Britain, Germany, and Japan have been the best foreign buyers. Britain is taking more Brazilian cotton this year than last. Japan has already doubled last year's purchases, and is expected to take 150,000 bales before the year is over. All spare Japanese freighters have been pressed into service, and during the rush in June two British tramps carried cotton cargoes to Osaka.

German purchases were halved during the first quarter of this year, but when the new trade pact was signed Germany resumed heavy buying.

Brazil has two kinds of cotton. The North Brazil product is tree cotton, with a long staple—from 1½ in. to more than 2 in. It grows in an extremely dry climate on trees which bear for 12 years or more.

South Brazil cotton is the American variety, and is largely grown from seeds imported from our Southern plantations. It is still less carefully cultivated, and the staple is generally shorter and the product less well standardized.

Business Abroad

Real Spanish problem will not be solved in present crisis. Britain rushes war orders to gain stronger bargaining position. Germany buries controversial topics while Olympic guests are in country. Ontario cuts power rates. Russia to modernize food industry.

THE Spanish rebellion holds the limelight this week, but it is not the most significant development in Europe or elsewhere. Two groups have been struggling in Spain since the war. On the Left is the mass of the population which, in general, holds no property, no offices, and receives only a small return for its work. On the other side are a handful of landowners who control much of the land of the country, the clergy—rich until recently, and still protesting the loss of its properties—and many of the old officers in the army.

Pendulum Swings Far

The Leftists had their first fling at control when they ousted Alfonso. They went to extremes of radicalism, were defeated by a coalition of the Rightists who immediately undid many of their reforms. Recently, the Leftists returned to power and attempted again to oust those who have been in control for generations. This week's fighting was started by the Rightists, who are making another determined stand to hold their property and their privileges. It is a fascist-socialist battle. No matter who wins in this month's conflict, it will not settle Spain's problem. It will take another 20 years at least to work out the differences of both parties in some final compromise government.

France has a similar situation at home, but the background is different. Spain is just now trying to overthrow the feudalism which France destroyed

long ago. The winning side in Spain will give new encouragement to its French counterpart. A complete labor victory in either country would be denounced as communism by the two great dictatorships of Europe—Germany and Italy, and would divide the Continent more radically than is now the case. A fascist victory in either country would bring another dictatorship to Europe and strengthen the bloc now building around Germany.

What Business Thinks

Business reactions abroad to the Spanish trouble will be small in the immediate future. Spain has been so unsettled for a long time that trade has been falling off. Britain has been the hardest hit. The United States has simply curtailed its sales efforts because of the difficulty of getting foreign exchange out of Madrid. This difficulty is likely to continue until sporadic civil strife is ended.

More significant in the long run than the Spanish trouble are developments in other parts of Europe. At Montreux,

the major powers in Europe, except Italy and Germany, have agreed to the refortification of the Dardanelles. These are the straits connecting the Black sea and the Mediterranean. Following the war, the straits were placed under international control and the Turks were not allowed to fortify the region. After days of bickering—with the Soviets heading a group favoring refortification of the zone and creation of a new set of regulations to be administered by Turkey, and the British heading an opposing group—a settlement was reached along the general lines requested by Turkey. After Germany's victory in pulling Austria into a reconciliation pact and apparently gaining a new foothold in Central Europe, this unity of the east Mediterranean powers with France, Britain, and the Soviet is a counterbalancing peace factor.

The apparent calm in Europe is likely not to be broken now until after the Olympic games in Berlin. In September, Germany is likely to make fresh demands for local territorial adjustment, for trade concessions, or for a return of her colonies. The next developments of world importance will grow out of this situation rather than out of the momentary Spanish crisis.

Germany

Berlin is ready to create good impression on Olympic guests. Stock markets revive after Reich loan is subscribed.

BERLIN (Cable)—The approaching Olympic games overshadow all other political and economic issues in Germany. Nazi officials are making a supreme effort to show the Third Reich at its best. All controversial issues are suspended, but utterances in the provincial party press indicate that there will be a distinctly more radical tone in domestic policies in September. There is no indication what foreign policy will be, but it is likely to include a demand for a return to the Reich of the former German colonies.

The announcement that the 700,000,000-mark government loan was completely subscribed came as no surprise to business. There was an adequate supply of unemployed funds to absorb the loan if they could be forced into those channels. With its complete control over the country's economy, it was easy for the government to raise capital in this manner.

Stock markets, which were kept under pressure during the time the loan was being absorbed, have now resumed their upward movement. Current feature is the firmness of shares of the three big banks which are believed definitely to have overcome the aftermath of the depression and to have recovered their earning power.



BREAKING AND SMELLING, A MILLION A DAY—In this Chinese plant (Henningesen Produce Co.), more than a million eggs a day are broken, examined, smelled. They are handled for the great Chinese industry of freezing and drying eggs, which draws into Shanghai alone some five to ten million eggs each 24 hours during the spring season. Henningsen is one of the large customers of York Ice Machinery Corp., American manufacturers, which reports a growing business in up-to-date foreign installations.

York Ice Machinery Corp.

France

Strikes dwindle, but unemployment mounts. Bank of France reform gives government new authority over credit.

PARIS (*Wireless*)—Strikes are progressively coming under the control of the government and industry, but unemployment is rising against the seasonal trend and is 10% above 1935. Most of this is blamed on the new labor costs and business stringency which is causing small enterprises to close shop and liquidate. Other business is functioning on a hand-to-mouth basis because of price instability.

Farmers are threatened by a strike of agricultural workers, but Paris does not expect any widespread stay-in strike during the harvest season. Discontent is spreading further, though, for small retailers are beginning to protest to the government that their profits are waning and that nothing is being done to help them make up the loss.

The Senate is expected to pass the Bank of France reform bill without any major change. The old directorate chosen from the 200 largest shareholders will be replaced by a board representing industry, the banks, trade, agriculture, labor, and the consuming public, with the government reserving for itself the controlling power over the discount policy and portfolio.

Italy Has Its Way

Whatever Mussolini's plans for exploitation of Ethiopia, France appears to have little chance to participate. The French have large holdings in the country's only railway, running from Djibouti, in French Somaliland, to Addis Ababa. The French have attempted to collect all freight charges in francs but Italy has paid in francs only on shipments moving inland from Djibouti. In the other direction, Italy has simply allowed the debt to accumulate for a future general settlement. While Italy is granting no new concessions outright to foreigners, Rome has promised to honor those already existing and legally granted.

Soviet Union

Officials urge purchase abroad of food-producing equipment, and adoption of foreign advertising methods.

MOSCOW (*Cable*)—The Soviet Union is likely to be in the market this winter for automatic machinery to be used in the food industry, for scales, cash registers, and—most important of all—for merchandising ideas which will help educate the public to use the new food products now available.

A. I. Mikoyan is the head of the food



ENGLAND TRIES OUT SOLID PETROL.—England is experimenting with a new type of motor fuel: solid petrol distilled from coal. This five-ton lorry is reported to have made a trip of 100 miles from Leicester to London at a saving on fuel of 60% over ordinary costs. Cruising range of one charge is about 200 miles. The driver is seen starting the engine by applying a match to the petrol burner.

trust. This week, when his lieutenants from all parts of the Soviet Union assembled in Moscow for the "pep" meeting which the head of every division of industry is staging this year, he told them that Russians needed to see how food products were manufactured in other countries, what kinds of machinery could be used, and how manufacturers distributed their products. The United States was held up as a model in all lines. More Soviet commissions must be sent abroad to acquire added experience, and the experience collected must be more fully exploited. Since Mikoyan intends completely to modernize the industry in the next two years, it is clear that a number of missions will go abroad later this year to study methods and place comparatively large orders for up-to-date equipment.

In spite of the modest appraisal of his accomplishments as head of the food trust, food production has been improving steadily under his direction for three years, with production for the first half of this year jumping 34.2% ahead of last year.

At the conference, Mikoyan spoke of popularizing a variety of new food products and urging adoption of American advertising methods. Posters, as well as newspapers, must be utilized to teach the Soviet public to vary their diet which has remained practically unchanged for hundreds of years. The public still refuses to show enthusiasm for canned corn, tomatoes, and for jams, all of which are now produced in large quantities. A new drive will start soon to popularize jam and cereals for breakfast use.

In another line, Soviet officials are

pushing plans to make people more comfortable and to develop the country. A "building train" has been placed in service to carry on the construction of houses and other buildings along railway lines where there are no building facilities. The train has been constructed by the Siberian Building and Equipment Trust of the Commissariat of Railways. It consists of 18 cars fitted with slag crushers, concrete-mixers, cranes, machines and woodworking shops, as well as an 80-kw. electric plant, short wave radio station, and a club.

Great Britain

More than 50 industries get war orders. Little interest is shown in stock markets.

LONDON (*Cable*)—Regular armaments works are operating at capacity, according to Defense Minister Inskip. Rush orders have been placed in the last few weeks with 14 new manufacturers, and another 38 are preparing their plants to accept government business. A new oil-from-coal plant, duplicating the huge refinery at Billingham, will be opened soon in South Wales.

London is excited over the week's film news. Passing of effectual control of Gaumont-British to American interests causes little resentment (page 24). One authority told your correspondent as much as two years ago that "the inevitable future of the film industry will be the complete merger of Hollywood and British interests under some rationing scheme controlled by a holding company." More recently Joseph Kennedy said: "American com-

panies must acquire interests in foreign producing companies to offset quotas and possible embargoes."

Beyond the political aspect of affairs, there is little to report. The stock market remains firm in spite of repeated shocks, but little public money is being attracted. The general feeling is that both gilt-edged securities and industrials are too high and may suffer a sudden knock-down, but as there is no alternative way of placing money there is no real selling.

One of the oldest British banks operating overseas, the Anglo-South American Bank, has just been merged with the Bank of London and South America. The amalgamation follows financial difficulties in which the "Anglo South" found itself, when the depression came on, due to large financing of Chilean nitrate. In 1932, the Bank of England sponsored a consortium which gave it financial aid to tide over until the present plan could be worked out. Depositors will lose nothing, but stockholders lose everything. This leaves just one big British banking chain in South America.

Canada

Drought sears crops, but business booms. Ontario Hydro cuts electric rates. Vancouver may get big rayon plant.

OTTAWA—The heat wave brought out a rash of business recovery symptoms. The general economic index of the Dominion Bureau of Statistics advanced 1½% for last week to 109.1, highest mark with one exception since the beginning of 1933. The wheat market stimulated other factors. Wholesale prices responded with an advance to the highest point for the post-depression period. Bonds struck a new high for several years, and bank clearings expanded. Common stocks alone were out of step.

External trade returns are even more healthy. Exports to Empire countries for June were 75% higher than for June, 1935. The United Kingdom bought \$33,000,000 of Canadian goods, an increase of nearly \$16,000,000, or 89%. Exports to foreign countries made an average gain of 9%, a decrease in sales to the United States at \$26,000,000 keeping the average down.

Total exports for the month were \$79,000,000, a gain of \$20,000,000, or 35% over June, 1935.

All Exports Larger

The wheat boom helped, exports reaching \$20,000,000 compared with \$5,000,000 the previous June. The United States took \$1,250,000 worth. Paper exports at \$10,393,000 were \$2,211,000 up; planks and boards at \$3,389,000 were \$1,000,000 up; cattle exports at \$1,840,000 were over \$1,000,-

000 higher, mostly going to the United States. Pulpwood and aluminum gained about \$1,000,000 each.

With Italian sanctions lifted, it is found that they cost Canada only about \$500,000 in direct export business to Italy, and this was made up in sales to Greece (perhaps for Italian destination), which were \$557,000 for the sanctions period against only a couple of hundred dollars the previous corresponding period.

All federal unemployment camps are closed and Ottawa is determined they will stay closed. About 10,000 of former camp inmates are engaged in railway right-of-way work, the government contributing to the cost.

Rate Cut Justified

In Ontario, Premier Mitchell Hepburn is promising a debt reduction of \$16,000,000 and a cut in Hydro Electric Commission rates amounting to \$6,000,000. The provincial government's prosperity is mainly due to a drive on unpaid succession duties. Hepburn is opening up the accounts of estates which had made settlements and finding sources of rich new revenue.

The cut in Hydro rates he claims is justification for last year's repudiation of contracts with the Quebec power companies.

Ontario is appropriating \$100,000 to stabilize the cheese market. An association will purchase cheese for export when it considers it necessary to uphold the price.

Alberta business leaders are reported to be making a determined stand against Premier Aberhart's "prosperity certificates" plan for financing public works. The object is to discourage the government from going ahead with the scheme. But Aberhart appears to retain his popular support, which embraces small business, and this may enable him to put over the plan.

Twice as many prospective American tourists have made inquiries of the Canadian Travel Bureau about Canadian holiday resorts this year as last and the tourist business is expected to approach the 1929 peak.

Signs of Progress

Federal revenues are expanding. June returns were \$6,000,000 over June last year. The increases are in customs, excise and income taxes.

Construction contracts for the Dominion during the first six months of the year were \$2,000,000 above the corresponding period of last year.

Interests prepared to spend \$20,000,000 on a rayon manufacturing plant on the Pacific Coast are negotiating with Vancouver for power concessions.

Tenders for the construction of a privately sponsored \$6,000,000 suspension bridge which will span the First

Narrows at the entrance to Vancouver harbor are expected to be called in August, with the contract being placed in September. The bridge will connect Prospect Point and West Vancouver and will have a center span of 1,500 feet. Steel requirement—approximately 11,000 tons—will be furnished by British and Canadian suppliers.

Latin America

Labor protests foreign control in Mexico, Venezuela, and Argentina. Brazil grants power concession to Belgian firm.

FOREIGN business ran into trouble in three Latin American states this week because of the new spirit of nationalism.

In Mexico, 3,000 workers employed by the Mexican Light & Power Co., a Canadian company, asked for higher pay and more privileges. The Mexican capital and important areas in neighboring provinces were without power. More than 100,000 workers in other industries are said to have been affected because electricity was cut off.

In Argentina, the government took over the control of all exports and imports of oil and oil products. Plan is to force more rapid development of domestic oil fields. The Standard Oil Co. of New Jersey and the Royal Dutch-Shell interests dominate both the marketing and development of petroleum in the Argentine. The new ruling becomes effective Aug. 5.

In Venezuela, foreign oil interests—again Standard and Royal Dutch—were pestered with labor disaffection. Labor agitators are accused of stirring workers to sabotage and demand that the government cancel all concessions held by foreign firms.

Belgian Interests Expand

In Brazil, the government has authorized the Belgian iron and steel interests which operate big steel mills near Bello Horizonte, in Minas Geraes province, to utilize waterfalls on streams tributary to the Piracicaba River for the generation of electric power. Brazil is having a building boom and the demand for steel products is heavy.

Uruguay is taking care of its laborers. The government has just let contracts for the construction of 80 model houses for working men in Montevideo, to be followed by similar projects in three other sections of the capital. The model houses are built in twos, back to back against a party wall with a garden completely surrounding the duplex building. Each unit consists of two bedrooms, a combined dining room and kitchen, with bath and veranda. Electricity will be provided, and model kitchen, bathroom and other equipment will be installed. The houses will rent at not more than \$9 a month.

Money and the Markets

Sentiment bullish as trading volume holds, stocks advance. Optimistic business news rolls in from heavy industry and consumer goods.

STOCKS did everything but sprout horns and hoofs this week, so bullish was the sentiment in market circles. Trading volume continued good and prices moved forward convincingly although not wildly. And, while sober observers were convinced that a corrective dip was necessary to consolidate gains of the last two weeks, selling flurries made only a mild impression because there was support buying under the market.

The flush of enthusiasm which marked Wall Street and environs was heightened by gusty news which business provided for traders. From heavy industry and the consumer lines came the same optimistic story. As to trade, the Department of Commerce reported that retailing and wholesaling had held strongly last week while the New York Federal Reserve bank was noting a gain of better than 13% in department store sales in its area in the first half of July.

Copper Price Raised

The bulls on coppers got a quarter-cent advance in the red metal to 9 3/4¢ and saw the biggest day's trading on record before the higher quotation went into effect—106,101 tons; copper now is at the highest price since 1931 and this time, unlike six months ago, all the major producers went along on the boost. For oil there was a further reduction in gasoline stocks despite high refinery runs, a striking gain in Shell Union's six months' earnings, and news of a marketing fair-trade pact being sent to the Federal Trade Commission by all interests east of the Rockies.

And from other lines: Electric power output rose to another all-time record at 2,099,712,000 kw.-hr. last week, probably reflecting industrial activity more than heat which worked electric fans and air conditioning overtime; steel production recovered further to nearly 71% of capacity; the first group of railroads to report June operating income were about 50% over last year and carloadings continue to forge ahead; June automobile and truck production totaled 454,487, according to the Department of Commerce, whereas manufacturers originally anticipated little better than 350,000; duPont turned up with \$3.27 a share for the six months against \$1.74 in the 1935 period; the RCA strike was settled and the threatened steel walkout seemed no closer; June beer sales were 5,600,070 barrels, 29% over a year ago, and the six months' figures rose 18.6%; Bank of America reports business gains in the Far West every month this year.

In its present mood, the stock market isn't paying much attention to margin requirements—trading is active enough

to take the edge off the argument that present rates are restrictive. The Federal Reserve governors came forth with a clarifying announcement: (1) certain loans by banks in connection with making of markets are subject to the regulations; (2) loans (in general) made before May 1, are not included in the new regulations; (3) a temporary loan to a dealer for the cash purchase of a stock by a customer is not covered. But nothing was said about reducing the 122% cover that a customer must maintain over the debit balance, which is what interests brokers.

The bond market did nicely. High-grade corporates were firm and secondary rails moved bumptiously higher, reflecting the trend in carloadings and earnings. Government issues, after their sloppy performance on the increased

Federal Reserve requirements (BW—Jun 18 '36, pp 16-45) steadied. Utility doings were prominent.

Long Island Lighting Co. placed privately with a group of insurance companies, headed by Metropolitan Life, \$27,000,000 of bonds for refunding higher coupon issues. In another private deal, but much more complicated, Electric Bond & Share purchased from United Gas Corp. \$25,000,000 of 6% debentures of the United Gas Public Service Co.

The sale provided United Gas Corp. with cash to pay off \$21,250,000 of bank loans. At the same time it paved the way for United Gas to resume dividends on its preferred stock, thus placing it in a position to escape the rigors of the undistributed earnings surtax under the new revenue law. Directors wasted no time taking advantage of the stronger financial status of the company. Wednesday afternoon they voted a quarterly dividend of \$1.75 a share on the first preferred, involving a total outlay of \$787,000.

So long as United Gas had a substantial bank debt, sound business practice ruled against payment of dividends. But by selling to Electric Bond & Share debentures of its subsidiary, United Gas simplified its financial affairs and kept everything within the corporate family: because Electric Bond & Share owns 47% of Electric Power & Light, which

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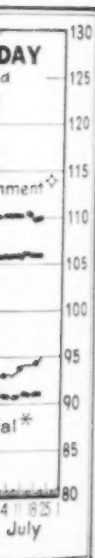
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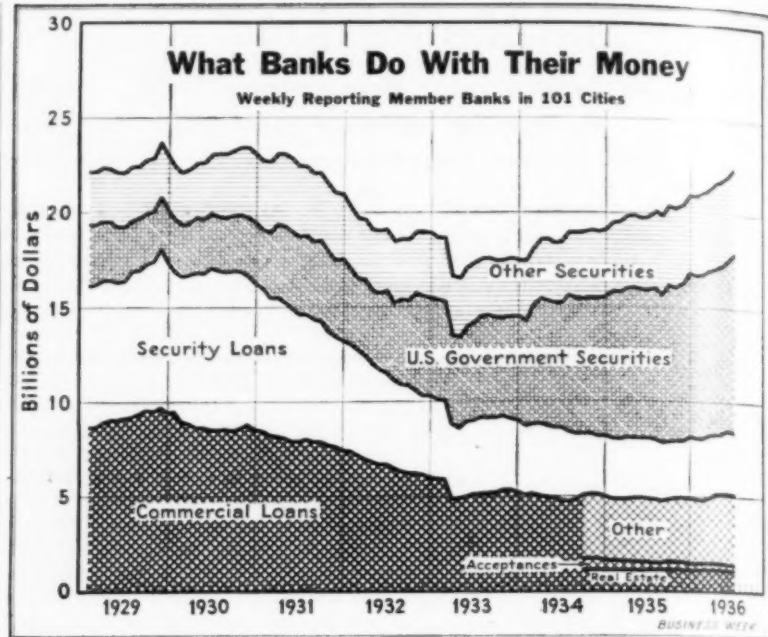
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in turn holds a big gob of United Gas, which in turn controls United Gas Public Service.

Arrears on United Gas preferred stocks, as of June 30, were large: \$11,600,000 on the first and \$26,835,000 on the second preferred. The latter is owned exclusively by Electric Power & Light. In the deal, Electric Bond & Share stood to improve its own earnings capacity, not only through potential dividends siphoning upward from Electric Power & Light, but also by converting \$25,000,000 cash into a 6% debenture.

Although this is the summer period when financial doldrums are the rule, the new-issue market was fairly lively. Morgan Stanley & Co. offered \$13,875,000 first-mortgage 3½s of the Indianapolis Water Co., to be followed by \$30,000,000 New York Edison 3½s.

SEC Chairman Landis is expected back in harness shortly and the New York Stock Exchange is getting ready for him. After his vacation, Mr. Landis is slated to tackle the thorny problem of broker-dealer segregation. The Stock Exchange named a special committee to study the SEC report on divisibility of trading functions and it is expected to descend on Washington, when the time comes, with wheelbarrows of information, factual and otherwise. One of the cogent arguments is that it will hurt smaller exchanges (BW—June 27 '36, p45).

The SEC calendar is crowded and that may give the exchanges a respite. Immediately ahead is the investigation of investment trusts, which the SEC has quixotically narrowed down to 921 firms. On Monday, the commission will start off with Equity Corp.

In time, the commission wants to

change over-the-counter procedure, with particular emphasis on quotations. Hitherto, unlisted dealers have released for publication only closing bid and asked prices. The SEC would like detailed data on sales; also information on inventory of dealers, that is, the number of shares they have on hand for sale. Brokers conceivably will cooperate toward fuller quotation records, but to expose their inventory position appears to be asking much—something like requiring Macy to tell Gimbel how many women's rayon negligees it has on hand.

The Investment Bankers Conference, Inc. (not to be confused with the Investment Bankers Association) is attempting to draft a code to govern unlisted trading so that equitable principles will prevail in the business.

Two Jobs at SEC

On two counts the SEC met rebuffs. In a hearing on the White, Weld case Chauncey Parker, Jr., a witness, refused to divulge the name of a banker who he said had told him "A. O. Smith stock was a good buy." Mr. Parker said it was a private matter, not for broadcast.

The other jab at SEC authority was the action of Vincent J. McMann, a customer of Engel & Co. The SEC has been investigating trading activities in the stocks of Budd Wheel and Wil-Low Cafeterias and subpoenaed Engel & Co.'s books. Mr. McMann objected to divulging unrestricted information to the SEC on his affairs and entered an injunction suit against Engel & Co. to forbid the Stock Exchange firm from turning over the information. Mr. McMann challenged the entire constitutionality of the Securities Exchange Act, but laid stress on "unwarranted search and seizure."

Editorially Speaking—

"In recognition of his services in effecting industrial peace in the city," Ralph A. Lind, honorary chairman of the Toledo Peace Board, has been presented by his fellow members of the board with a—well—a traveling bag.

AND now the United States Office of Education is going to broadcast a series of fictional radio interviews with celebrities long dead. Benjamin Franklin, for example, will spend 15 minutes answering the questions of several children. "Isn't overpopulation a national cause of war?" he will be asked, according to a published excerpt from the script; and his answer will be: "Aggrandizement by conquest is out of fashion." Isn't it, though? And what do you think of the terribly cold summer we're having?

In the *American Machinist* there's an article, "Better Teeth for Hacksaw Blades." That's the spirit. Humanitarianism unlimited.

THERE are two alternative policies that a newspaper, a magazine, or a letter service may follow in making political predictions. One is to tell your readers what you honestly think will happen; the other is to tell them what they like to hear. Memories being generally short, the second policy may work out all right if your readers don't bet on your say-so.

FROM a Midwestern laundryman: "After spending a full day in wading through an invitation to bid on laundry and cleaning requirements for 50-odd CCC camps (30 pages of specifications, etc.), I sent in a bid; 26¢ postage. Today we received a bulky letter from the War Department; an acceptance. A swell excuse to get drunk, if I was a drinking man. Upon checking the acceptance I find that our firm has been awarded only the dry-cleaning of the following garments for the months of July, August, and September: overcoats, woolen, O.D.; breeches, woolen, O.D.; windbreakers, woolen, O.D., and so on through a list of all the winter clothing which will not be broken out until the snow flies."

PRETTY soon there will be considerable finger-crossing in the C.I.T. Safety Foundation. This is a subsidiary of the Commercial Investment Trust, which does an enormous amount of automobile financing. In order to direct attention at the safe driver instead of the unsafe one, the foundation is arranging to have state automobile associations pick the safest drivers, who will then drive proudly, with the national spotlight on them, across the country to New York, where they will take part in an accident clinic

and form a national association of safe drivers. And oh, how fingers will be crossed in the C.I.T. Safety Foundation while those safe drivers are driving across the country as safely as they can, with the national spotlight on them, and the clear consciousness that not even the safest driver is forever proof against accident!

PARIS is full of monuments, most of them so banal and ugly that all sensitive Parisians shudder at the thought of them, and hardly anyone but a tourist ever looks at them intentionally. A few art critics have lately exhibited a series of photographs of the vilest of these atrocities, labeling them "the monumental errors of Paris."

The sight of a Parisian monument necessitates a harsh antidote, and the Gentleman on the Financial Desk recalls that during his year or two of Parisian life he stuck to the stern rule of one monument, one drink.

AND this reminds us that the Largest Gentleman in our Washington Bureau dropped in here last week and attended the regular Thursday lunch of our editorial staff—a solemn ceremony in which profound plans are discussed and mostly, thank God, quashed. Well, anyhow, he recalled that he had once achieved a linguistic triumph in Vienna. He wanted to get to the church where the Hapsburgs (the dead ones) are buried, and he had the name written on a card and he showed the card to a man on a street and said, "Wo ist?" Just that and nothing more; no monkeying around with grammar and all that nonsense. And the man said something and pointed, and the Largest Gentleman walked on and as soon as he got out of sight of his first interrogatee he stopped another man and repeated the performance, and so on half a dozen times until at last he said, "Wo ist?"; and the man pointed at a building right ahead of them and answered jovially, "Da ist." And that is how the Largest Gentleman in our Washington Bureau achieved a linguistic triumph and found the church where the Hapsburgs lie buried, the dead ones.

"How many of you," asks the Rev. Gerald Smith, in his share-the-wealth speeches, "have got four suits of cotton underwear with all the buttons on?" Shucks, that don't mean a man's poor, the buttons being off. All it means is he ain't never knocked the laziness out of his wife.

WE wonder what the honest, clear-eyed, brawny, blunt American farmer is going to do when he learns that the acting chief agricultural statistician of the Census Bureau is S. S. Slick.

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JULY 25, 1936

Control and Confusion

Another fantastic era of business bewilderment, comparable to that which attended NRA, begins Sept. 28, when the Walsh-Healey act goes into effect. This is the act imposing wage, hour, and other social regulation restrictions on firms contracting with the government.

The act itself threatens almost inconceivable confusion. At the moment the one reassuring fact in the situation is the attitude of Secretary of Labor Perkins. She seems fully aware of the lessons taught by the NRA experience and announces a government policy of enforcement which promises, for the near future at least, a minimum of governmental interference with the natural procedure of business. This may be an obvious admission of the fact that to enforce the act exactly and in its fullest ramifications would require more judicial opinion than all the courts in the land could render, and would need the standing army for enforcement.

In theory, the impulse behind the law was the elimination of the fly-by-night contractors and of sweatshop conditions in the production of goods purchased by the government. It provides that a contractor must be a manufacturer or a regular dealer and that employees engaged in the work under contract shall not be employed longer than eight hours a day nor more than 40 hours a week, that convict labor and child labor shall not be used, and that no part of the contract shall be performed or material manufactured under working conditions which are insanitary or hazardous.

To appreciate the possibilities of enforcement of the act, one need not visualize the problem of measuring the degree of hazard accompanying each operation. Judgment might be warped by the realization that one of the most dangerous places to spend time in is in the bathtub. Perhaps the standards already set and enforcement provided by state factory inspection will solve this problem.

In any event, official rulings must be made eventually as to fair minimum wages in each industry and in each branch of every industry. Wages and overtime rates will be subject to "limitations, variations, tolerances and exemptions," according to the secretary of labor, and in fixing the overtime rate as to every operation which goes into the production of

goods for the government, the Department of Labor will "give consideration to conditions in continuous process industries or industries of an extra-hazardous nature, seasonal peak production periods, and flat weekly or monthly wage scales. The same consideration will be given to emergency conditions."

The law specifically exempts purchases of such materials, articles, or equipment as may usually be bought in the open market. Almost the exact language was included in the act of 1912, requiring an eight-hour day on government contracts. No less an authority than Felix Frankfurter, head man of the New Deal's legal department, ruled in 1917 that this exempted all articles and materials "usually manufactured in stock and standard forms and usually found in stock," regardless of whether "in the specific contract they are ordered to be manufactured to conform to particular specifications."

The unanswered question as to how far the government will go in applying compliance requirements to subcontractors and to materials suppliers suggests a few more complications in an act which ostensibly was intended to accomplish a simple reform and promises to produce complicated confusion.

Miss Perkins may well be impressed with the magnitude of her job. We do not envy her.

Forgetting What WPA Really Is

In the administration of any kind of relief except direct relief, there is a tendency to forget that it is relief at all. It becomes something else—a new government service, occupational therapy, permanent boondoggling, eternal bureaucracy—anything except relief. This slip of memory is particularly noticeable in the case of the Works Progress Administration. The

repeated demands of WPA workers show that they have forgotten what WPA is. Some of them, for example, who were put on the WPA rolls at a security wage to keep them from starvation, are now suing for paid vacations. It is human nature to want all possible privileges and high prerogatives; but WPA was not established to provide these. It was established for just one thing—to feed and clothe the unemployed. Beyond this it should not go. It should remain relief.

Action in Time Against Inflation

In the short time since the Board of Governors of the Federal Reserve System announced that the reserve requirements of member banks would be increased 50%, there has been no sign whatever that the board's action was premature. Finance and commerce are healthy enough to stand the increase without wincing. The member banks, for the most part, are well padded with reserves, and those that lack the funds necessary to meet the increase can prepare to raise them by Aug. 15.

Looking back now on the board's order, one is struck with its inevitability. It was not inevitable as of the day on which it was issued; the board might have delayed another half year, or even longer, or it might have acted half a year sooner. But inevitably it would have had to act some day. And though there are some who say that its action against credit inflation should have been of a different kind, examination will show that the other methods proposed are each hard to apply successfully.

Raising the reserve requirements was as simple a method as any, and not the most drastic by a long shot. It might have been drastic if delayed for a considerable time. To let an enormous and topheavy credit structure be reared on the basis of our swollen reserves, and then to withdraw that basis, would be a shock to all business. As it is, the country understands, by the Reserve Board's action, that the board thinks business is strong enough to need no credit coddling. The country understands, too, that the board has resolved to do whatever may be necessary at any time to prevent a disastrous inflation.

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